FINANCIAL TIMES

World Business Newspaper http://www.FT.com

THURSDAY FEBRUARY 25 1999

EU politics
The real fault line lies between north and south
Quentin Peel, Page 14

Mandelli
Outsider polishes up rusty machine tool maker
Page 12

Nigerian election
Northern elite faces day of reckoning
Page 7

South Korea
Time of despair is over
Page 14

WORLD NEWS

French former PM in the clear as trial collapses

The case against a former French prime minister and two of his ministers collapsed yesterday on the 12th day of their trial on charges of manslaughter and endangering life. Jean-François Burgelin, chief public prosecutor, told the court there was insufficient evidence to incriminate Laurent Fabius and two of his ministers for failing to respond adequately to dramatic health problems caused by contaminated blood supplies in 1985. Europe, Page 2

'Rambo' jibe at Schröder
Gerhard Schröder, Germany's chancellor, was offered no respite from his political difficulties as a revitalised opposition charged him with damaging the country's economy and acting like "Rambo" on European policy. Europe, Page 3

TV sport deals under scrutiny
Karel Van Miert, EU competition commissioner, fired a warning shot across the bows of sport's most powerful governing bodies when he pledged to police their exclusive television contracts with broadcasters. Europe, Page 2

Sino-Vietnamese ties improve
The general secretary of the Vietnamese Communist party, Le Kha Phieu, begins a six-day visit to China today amid signs of continuing improvement in ties between the two neighbours. Asia-Pacific, Page 6

S Korean union threatens strikes
South Korea's most militant trade union group said it would no longer co-operate with government and employers on labour reform and threatened national strikes. Asia-Pacific, Page 6; Wonupmanship, Page 15

Helsinki airport hit by strike
Finnish aviation authorities said Helsinki-Vantaa international airport would be closed on Tuesdays and Wednesdays from next week while an air traffic controllers' strike over pay continued.

Belarus invites Arabs
Belarus president Alexander Lukashenko invited Arab states to open diplomatic missions in his former Soviet republic to improve economic and political co-operation.

Floods spread in eastern Europe
Snowstorms and floods in eastern Europe have snarled traffic and put farmland under water in Romania, while authorities in neighbouring Hungary are braced for heavy flooding.

Brussels rejects Irish aid move
Ireland's attempt to split the country into two regions to qualify for continued European aid has been rejected by the European Commission. Europe, Page 3

Chinese air crash kills 61
All 61 people aboard a Chinese Tupolev-154 airliner were killed when it plunged into a field 400km south of Shanghai, Xinhua news service said.

Pretoria criticises EU five
South Africa sharply criticised five European Union countries for blocking an EU-South Africa free trade pact. Trade, Page 4

BUSINESS NEWS

Europe investment banks overtake US counterparts

European investment banks have underwritten more international bonds this year than their US counterparts in an aggressive effort to join the ranks of the global "bulge bracket". Companies and markets, Page 17

Italy sent out conflicting messages about the brewing takeover battle between Olivetti and Telecom Italia, amid signs it could have consequences for the government of Massimo D'Alema. Details, Page 23; Observer, Page 15

Woolworth's, UK retailer, is in talks with property developers to create a chain of out-of-town shops modelled on those of US discount retailer Wal-Mart. Companies and markets, Page 17

Cross-border merger and acquisition activity in emerging markets following the Asian economic crisis slowed sharply in the second half of 1998, according to a study by Robert Fleming, the investment bank group. Asia-Pacific companies, Page 18

Cisco Systems, the world's biggest data networking company, is to build a communications network for Telia, Sweden's national operator. Companies and markets, Page 17; Lex, Page 16

DaimlerChrysler's talks with Nissan Motor over the acquisition of a substantial stake in the Japanese vehicles group are at an advanced stage. International companies, Page 19

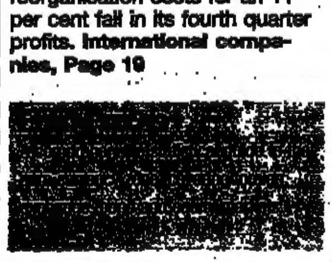
South Korea's state-run Pohang Iron and Steel plans to introduce anti-takeover defences that appear to contradict government promises of opening key industries to foreign investors. Companies and markets, Page 17

Tractebel's Baron Philippe Bodson has resigned as chief executive of the Belgian energy group under pressure from the controlling shareholder, France's Suez Lyonnaise des Eaux. Companies and markets, Page 17; Editorial Comment, Page 15; Lex, Page 16

British Sky Broadcasting and Canal Plus, pay television groups, would be likely to face an anti-trust investigation over any proposed merger, the European Commission indicated. European companies, Page 20; Observer, Page 15

Aga, Swedish industrial gases group, reported a sharp fall in full-year profits due to restructuring costs and write downs on operations in emerging markets. European companies, Page 20

Gambro, the Swedish healthcare group that recently announced a major restructuring, blamed production problems and heavy reorganisation costs for an 11 per cent fall in its fourth quarter profits. International companies, Page 19



Allianz threatens to move key businesses out of Germany

Insurer may move operations in protest at government's planned tax reforms

By Tony Barber in Frankfurt

Allianz, Europe's largest insurer, yesterday threatened to move key business operations out of Germany if the Social Democrat-led government presses ahead with tax reforms targeting insurance companies.

Helmut Perlet, Allianz's chairman, described the government's plans as "unjust and overdone" and warned they would cost the group DM2.5bn (€1.28bn, $1.42bn) between this year and 2002.

He estimated that the reforms would impose an extra DM18bn-DM20bn in taxes on the German insurance industry as a whole in the same four-year period.

Allianz's threat is the latest sign of discontent in the German business community with the economic policies pursued by the Red-Green coalition government in Bonn elected last September.

Employers have also criticised the centrepiece of Chancellor Gerhard Schröder's government, the so-called "Alliance for Jobs" between employers, trade unions and government as unrealistic and interventionist. Mr Perlet, speaking in Munich after a meeting of Allianz's supervisory board, said the company was thinking of moving its asset management, reinsurance and international industrial insurance businesses out of Germany if the government introduced the tax reforms.

"This is something we have to take seriously into consideration," he said.

Any transfer of the asset management business to a foreign base – such as London – could make a deep impression on German politicians and businessmen. Allianz is one of the world's 10 leading companies in this field and has about DM660bn of assets under management.

The tax reforms are likely to hit insurance companies because the government is considering proposals to limit depreciation allowances on assets and to discount loss reserves on property and casualty insurance activities. However, some investors hope the reforms, though capable of reducing insurers' profits in the next few years, may benefit shareholders in the longer run.

"With these changes in place, the German insurance industry would come under pressure to improve current income and shareholder value, rather than just building up the hidden value of the company," one German analyst said.

Allianz said it expected an increase in group net profit this year of just over 10 per cent. Net profit in 1998 rose by 30 per cent to DM3.5bn.

The 1997 net profit was adjusted to DM2.7bn to take account of Allianz's switch this year to international accounting standards, a move intended to shed more light for shareholders on the group's true value.

Allianz is projecting group premium income to rise by 8.8 per cent this year to more than DM98bn, based on exchange rates at the end of 1998.

Group premium income rose by 19 per cent last year from DM75.9bn to DM90.6bn, of which about DM13.6bn came from the partial consolidation of the French insurer AGF, which Allianz absorbed this year.

Greenspan and Rubin urge Europe to aid world growth

By Gerard Baker in Washington

US officials warned yesterday that US demand growth was bound to slow. They stepped up their calls for Europe to shoulder more of the burden of world growth.

Alan Greenspan, chairman of the Federal Reserve, the US central bank, said the large gap between domestic US savings and investment was certain to close. The likeliest outcome was a slowdown in both consumption and investment growth.

"Something will give at one point or another," he told the House of Representatives' banking committee in his half-yearly Humphrey-Hawkins testimony.

"The level of consumption growth, which has been extraordinarily strong, will slow down. We believe also that the dramatic expansion in capital investment will slow down to a more long-term sustainable path, and that will close the gap between private savings and investment."

Robert Rubin, the US treasury secretary, noted that while the US had been running up large trade deficits in the last two years, as a result of strong domestic demand, Europe had been expanding its surpluses.

"Europe needs to increase domestic demand-led growth and [they] need to open their markets further so they take their fair share of what needs to be done to get the whole global economy going again," Mr Rubin said.

As the two men spoke, the euro fell to its lowest level against the dollar since its launch. In New York it dropped briefly to $1.0927 before clawing back some losses.

Mr Greenspan told members of [illegible] the euro could have significant benefits for the European economy, but added that it was a "very interesting experiment" in the history of fixed exchange rate regimes, whose outcome was uncertain. "It's going to teach us an awful lot about how those systems work when you start from scratch. It has not been tested yet."

He also expressed scepticism over European proposals to harmonise the exchange rates of the world's major currencies.

Rubin attacks lending curbs, Page 5
Currencies, Page 27

US secretary of state Madeleine Albright told the Senate foreign relations committee yesterday that the Serbs were under warning not to use forces building up outside Kosovo for a military offensive. Report, Page 2 Reuters

India pressed to cut fiscal deficit

By Mark Nicholson in New Delhi

India should consider "urgent" steps to cut its fiscal deficit, which is set to overshoot this year's target, according to the finance ministry's annual economic review.

The review, published yesterday, suggests fiscal prudence should be the focus of this Saturday's budget presented by Yashwant Sinha, finance minister.

It says the problem is India's "most intractable and long-standing" economic issue and that action is needed to [illegible] deficit on an "irreversible and unambiguously declining trend".

The review notes that the government's fiscal position is "not significantly better" than the crisis of 1991-92, when India launched economic reforms. The deficit then was 5.4 per cent of gross domestic product.

Comparisons are complicated by moves to rebase the pricing year for national accounts from 1980-81 to 1993-94. Under the revised figures, which have increased GDP levels by an average of 9 per cent over the old series figures, this year's fiscal deficit target becomes 5.1 per cent of GDP, against an initial 5.6 per cent set in June's budget.

But the survey says the government is "unlikely" to meet this target, given shortfalls in indirect tax receipts because of low industrial growth and sluggish imports.

The review, which reflects ministry thinking rather than policy, argues the "clear need for building a political consensus" on deficit reduction. It recommends a big widening of India's narrow tax base, elimination of "low-[illegible] government.

The survey paints a mixed economic backdrop to Mr Sinha's second budget.

It says a rebound in agricultural growth, to 5.3 per cent from a negative performance a year earlier, will produce an estimated 5.8 per cent growth in GDP for this fiscal year, ending in March.

It nevertheless notes poor performance in most other sectors of the economy over the past year, particularly in industry, where growth from April-December was just 3.5 per cent, against 6.7 per cent a year earlier.

UK government to act on race report

By Deborah Hargreaves

The British government yesterday promised to achieve a "permanent and irrevocable change" in race relations in the country.

The commitment came in the wake of the publication of an official report condemning a bungled police investigation into the murder of a black youth in London six years ago.

Jack Straw, the UK's home secretary, said the inquiry into the racist murder had "opened all our eyes to what it is like to be black or Asian in Britain today". He said it revealed fundamental truths about the nature of British society. "Some of these truths are uncomfortable."

Mr Straw said anti-discrimination legislation would be extended to cover the civil service as well as the police. It now covers only private sector organisations. The Commission for Racial Equality will have the power to set up investigations into the police.

The report on the murder of Stephen Lawrence concluded that the investigation by London's Metropolitan Police "was marred by a combination of professional incompetence, institutional racism and a failure of leadership by senior officers."

The police failed to charge anyone with the crime, even though the names of several suspects were given to them by 26 different people in the two weeks following the murder.

The report provided damning criticism of the "canteen culture" and racism in the Metropolitan Police and revealed layers of racism throughout British society.

The government stood behind the Met's chief police officer, Sir Paul Condon, amid calls for his resignation. Mr Straw said Sir Paul shared his sense of shame that the justice system, and police in particular, had failed the Lawrence family.

The report makes 70 recommendations aimed at wiping out racism in the police and society at large, including a clampdown on racist behaviour among the police and a drive towards educating children about the values of a multicultural society.

Doreen Lawrence, mother of the murdered boy, said: "My feelings about the future remain the same as when my son died. I believe black youngsters will never be safe on the streets. Nothing has changed."

Society's divisions, Page 10
Editorial Comment, Page 15

WORLD MARKETS

STOCK MARKET INDICES			GOLD		
New York:			New York: Comex		
Dow Jones Ind Av	9569.21	(+24.78)		$269.7	(269.7)
NASDAQ Composite	2400.48	(+24.13)	London:		
Europe and Far East				$267.95	(267.15)
CAC40	4215.70	(+5.75)	DOLLAR		
DAX	5062.31	(+74.75)	New York: Lunchtime		
FTSE 100	6307.6	(+152.4)	£	1.5991	
FTSE Eurotop 300	1249.92	(+14.53)	€	0.9116	
Nikkei	14,855.45	(−145.20)	SFr	1.4510	
US Lunchtime RATES			Y	121.79	
Federal Funds	4.8125%		London:		
3-mth Treas Bills: Yld	4.66%		£	1.5988	(1.6113)
Long Bond	97⅞		€	0.9130	(0.9107)
Yield	5.44%		SFr	1.4537	(1.4517)
OTHER RATES			Y	121.880	(121.195)
UK: 3-mo Interbank	5⅜	(same)	Tokyo Close		Y 121.365
UK: 10 yr Gilt	111.92	(111.89)	EURO (London)		
Euro Euribor	3.079%	(3.076%)	$	1.0954	(1.0981)
Germany: 10 yr Bund	99.0	(98.99)	£	0.6851	(0.6814)
Japan: 10 yr JGB	99.398	(99.386)	Y	133.501	(133.078)
NORTH SEA OIL (Argus)			SFr	1.5923	(1.5941)
Brent Dated	$10.83	(10.57)			

London · Leeds · Paris · Frankfurt · Stockholm · Milan · Madrid · New York
Chicago · Los Angeles · Tokyo · Hong Kong

Euro-zone target price €2.15, Prices in local currency as shown

Bahrain	Din1.300	Iceland	IKr265	Oman	OR1.75
Belgium	BFr90(€2.23)	Italy	L3900(€2.01)	Poland	Zl 10.00
CIS	US$4.00	Jordan	JD1.75	Portugal	Esc320(€1.60)
Croatia	Kn18.00	Kuwait	KWD0.750	Qatar	QR13.00
Denmark	DKr18.00	Latvia	Ls1.65	South Africa	R16
Estonia	EK34.00	Lithuania	Lit21.00	Spain	Pta325(€1.95)
Finland	FmK13.00(€2.19)	Lebanon	LBP3.500	Sweden	SKr20.00
France	FFr14.50(€2.21)	Luxembourg	LFr90(€2.23)	Switzerland	SFr3.80
Gibraltar	£1.85	Morocco	Dh18.00	Syria	S£90.00
Greece	Dr650	Netherlands	Fl 4.50(€2.04)	Tunisia	Din2.000
Hungary	Ft300	Norway	NKr19.00	UAE	Dh13.00

For subscription information please contact:
Subscription Sales Department, The Financial Times Limited, Number One Southwark Bridge, London, SE1 9HL.
Tele +44 171 873 4200 Fax +44 171 873 3428
E-mail: FTE.Subs@FT.com

CONTENTS

KOSOVO CONFLICT ALBRIGHT SAYS THE MILITARY BUILD-UP COULD BE AIMED AT A SPRING OFFENSIVE

US warns Serbs not to use force

By Steve Fidler in Washington and Guy Dinmore in Belgrade

Madeleine Albright, US secretary of state, said yesterday that Belgrade was under warning not to use military forces it is building up outside Kosovo for a military offensive.

Responding to questions from members of the Senate foreign relations committee a day after peace talks on Kosovo in France ended inconclusively, Mrs Albright said the military build-up could be aimed at preparing for a spring offensive in the province.

"We are going to work very hard to make it very clear to them that that would be a grave mistake," she said, speaking of the Serb authorities. "They are very much under warning right now."

A senior Nato official, quoted by Reuters in The Hague, said Nato was "greatly concerned by a very substantial build-up of Serb forces including heavy armour, artillery, infantry, special forces, the planting of mines, and demolition preparations".

The official, who declined to be identified, said the army movements "could indicate some preparation to provide a defence for parts of Kosovo or Serbia itself". But he added: "Or more ominously, they could be preparations for a final military push to eradicate opposition in Kosovo either in conjunction with a failure of the talks or as a prelude to a resumption of the talks."

Peace talks are scheduled to resume on March 15 between Yugoslav and Serbian governments on the one hand and Kosovo Albanian representatives on the other.

Meanwhile, the ethnic Albanian delegation to the Rambouillet peace talks yesterday announced the formation of a "provisional government" for the province to be headed by the rebel Kosovo Liberation Army (KLA).

The announcement was likely to be seen as provocative by Serbia. The Albanian delegation was still in Paris last night, unable to fly back to Kosovo because Serbia withheld permission for its aircraft to land. The delegation, including KLA members wanted by Serbia on "terrorism" charges, was expected to fly early today.

The KLA news agency Kosovapress said the delegation had agreed to set up a new provisional government, made up equally of the two main ethnic Albanian parties and the KLA and led by a prime minister to be chosen by the rebel group.

The move is largely symbolic, as Belgrade is certain to ignore the government or prevent it from convening. But the agreement does reflect an unexpected degree of unity among the previously fractured Kosovo Albanian leadership and indicates the KLA is ready to enter political life. Elections are to be held in Kosovo within nine months of the signing of a peace accord.

The Kosovo Albanian team on Tuesday said it had agreed "in principle" to accept the US-drafted peace plan but would consult the Kosovo Albanians and KLA rebels before returning to negotiations on March 15, expected to be held at an air-base near Evreux. Under the plan, Kosovo would be given broad autonomy within federal Yugoslavia for a three-year interim period. A Nato-led peacekeeping force would oversee the disarming of the KLA and the withdrawal of most Serbian troops.

Former PM let off as blood trial collapses

By Robert Graham in Paris

The case against a former French prime minister and two of his ministers collapsed yesterday on the 12th day of their trial on charges of manslaughter and endangering life.

Jean-François Burgelin, the chief public prosecutor, told the special court of justice of the republic there was insufficient evidence to incriminate Laurent Fabius and two ministers for failing to respond adequately to dramatic health problems caused by contaminated blood supplies in 1985.

Roger Lucas, the advocate-general, said earlier in summing up he could find no personal fault in Mr Fabius' behaviour.

He also exonerated Edmond Hervé and Georgina Dufoix, respectively health and social affairs ministers in Mr Fabius' Socialist government.

But he criticised them for their passivity when dealing with the danger of contamination in French blood supplies.

The judges were expected to pass a formal judgment of their own, which could take up to a week to publish. But it was thought unlikely they would go against the recommendations of the prosecution.

The case sought to establish whether senior figures in the government of the time were responsible at the onset of the Aids epidemic in the early 1980s for the deaths of haemophiliacs and for endangering the lives of others by delaying the introduction of HIV testing on blood donated for tranfusions.

Overall 1,348 haemophiliacs were infected by contaminated blood of whom 825 died. A further 4,000 to 5,000 people given transfusions were infected.

The prosecution's case was undermined by evidence from François Gros, a distinguished biologist and the scientific adviser to Mr Fabius in 1985.

He assumed full responsibility for postponing the introduction of blood testing which allowed time for Diagnostics Pasteur, the French laboratory, to perfect its test to compete with one already perfected by Abbot, the US group.

Much of the evidence revealed the poor co-ordination of the upper ranks of the French civil service in public health matters.

It also exposed the reluctance of the medical profession to introduce a system of screening of blood donors because they were afraid of being seen to discriminate against homosexuals and other high-risk members of society.

Court rules excluded the victims' families from being represented at the trial. However, this did not stop them from attacking what they regarded as the benign attitude of Christian Le Gunehec, the presiding judge, towards the three senior politicians on trial.

KFOR GATHERS DEPLOYMENT BUILDS UP IN MACEDONIA

Nato forces assemble to back up accords

By Alexander Nicoll, Defence Correspondent

British Challenger tanks and Warrior armoured vehicles will today roll off a transport ship at Thessaloniki, Greece, in the latest stage of a substantial build-up of Nato forces around Kosovo.

Although peace talks on the troubled Serbian province were suspended in France on Tuesday and will not resume for three weeks, Nato is continuing with intense preparations for deployment of a 30,000-strong implementation force, to be known as Kfor, to back up a peace agreement.

The UK has undertaken to provide up to 8,000 troops, France and Germany 5,000 each, the US 4,000 and Italy 2,000. Belgium and Canada have also made commitments.

Nato hopes Russia will contribute troops but has not yet had a formal response from Moscow.

The first parts of Kfor are gathering in Macedonia, ready for initial insertion of 10,000 troops as an "enabling force" under the tactical command of a British officer, Lieutenant General Sir Mike Jackson, who heads the Germany-based Nato Allied Rapid Reaction Corps.

Some 2,225 British Army troops are in the process of being deployed to Macedonia – 280 members of the Irish Guards will fly from Hanover today – along with their tanks and armoured vehicles, as well as heavy artillery which will arrive at Thessaloniki on Sunday.

Meanwhile, some 2,000 US marines are ready to deploy from the USS Nassau, centrepiece of an Amphibious Ready Group in the Adriatic. Ken Bacon, Pentagon spokesman, said they were not planning to "pre-position" in Macedonia, but would meanwhile "exercise and be ready and be a presence in the area".

The 2,300 extraction force of mainly French and British troops which is already in Macedonia – intended, if required, to pull out of Kosovo the 1,234 international monitors – would be partly folded into the enabling force, though it is more lightly armed than the armoured forces which will form the bulk of Kfor.

Nato officials said Kfor would have the task of overseeing compliance with military aspects of the peace agreement, which will set specific levels for both Serbian and ethnic Albanian forces.

Serb policemen fire a mortar during clashes with the Kosovo Liberation Army earlier this week AP

Under the draft peace accord, the Yugoslav army would have to reduce its 11,000-strong force in Kosovo to a border force of 1,500, with 1,000 permitted in Kosovo to service the border troops. The much-feared special police would have to go down from 14,000 to 2,000 and to confine themselves to genuine policing tasks.

The separatist Kosovo Liberation Army would in effect be demobilised, forswearing weapons and uniforms.

In spite of progress at Rambouillet, Nato has not ruled out air strikes on Serbian military targets for which a force of more than 400 aircraft has been assembled, mostly at bases in Italy and on ships in the Adriatic.

Robin Cook, UK foreign secretary, said Belgrade already knew the "red lines" by which their military behaviour would be judged and urged the Serbs: "Don't cross those red lines."

Nato officials stressed that the "activation order" authorising Nato air strikes, agreed last October, remained in place.

Markets give a boost to embattled Simitis

By Kerin Hope in Athens

Costas Simitis, Greece's embattled prime minister, received an unexpected boost yesterday from the country's financial markets, which rebounded strongly after a sharp fall on Tuesday.

Analysts said that Mr Simitis had reassured investors that the country was still on course for membership of the euro, despite damage to the government's standing over its involvement with Abdullah Ocalan, the captured Kurd leader.

But Mr Simitis' struggle to fend off a threatened mutiny by hard-left members of the governing Socialist party over the Ocalan affair has raised concerns about policy drift in the next few months.

The Athens stock exchange index gained 7.14 per cent yesterday, wiping out a 6.06 per cent fall the previous day. The biggest gains came in bank stocks, generally seen as an indicator of Greece's overall economic prospects.

"It was a bigger rebound than expected, but it was technical," said Costas Xenos, chief analyst at Egnatia Securities. "There is still political uncertainty."

Mr Simitis' government has attracted criticism from all sides for both trying and ultimately failing to protect Mr Ocalan from arrest by the Turkish authorities. Mr Ocalan was captured by Turkish forces in Nairobi last week after leaving the Greek ambassador's residence.

The Socialist party has traditionally strong ties with the Kurdish independence movement, but Mr Simitis has tried to bring the party more in line with European Union policy against terrorism.

Analysts said the prime minister would try to win back support by rallying the Socialists against what he called a "defamatory campaign" by Turkey ahead of next month's party congress.

Calls for Akis Tsochatzopoulos, defence minister and Mr Simitis' main political rival, to challenge his leadership at the congress have subsided as the prime minister's faction has cracked down on outspoken Socialists who backed Mr Ocalan.

One rebellious backbencher has already been expelled from the party.

Despite heated debate about calling an early election, the Socialists seem increasingly concerned that Mr Simitis' falling approval rating could damage their chances of winning a clear parliamentary majority.

Mr Simitis is seen as the main guarantee of Greece's commitment to restrictive economic policies which should lead to convergence with the euro-zone.

Under pressure from labour unions, the Socialists have slowed down structural reforms. But their concern remains whether the government will be able to resist pressure for wage increases, which could undermine the effort to cut inflation from 3.7 per cent to 1.9 per cent this year.

Mr Simitis' efforts to re-establish his authority appeared to encourage international investors.

Finance ministry officials said a rally in 10-year bonds, which saw yields fall 20 basis points yesterday to about 220 basis points above German long-term bonds, indicated renewed confidence among investors abroad.

Demirel urges Kurds to abandon mountain hideouts

Suleyman Demirel, the Turkish president, yesterday called on Kurdish rebels to abandon their mountain hideouts, while aircraft dropped leaflets urging them to accept a partial amnesty, Reuters reports from Ankara.

"Turkey has reached a turning point," Mr Demirel said of the 14-year-old Kurd guerrilla campaign that has cost more than 29,000 lives.

"We must bring our children down from the mountains, for they are our children, misled into terrorism, into committing murders. We must do this in a way that does not cause more harm," Mr Demirel's comments were accompanied in some newspapers yesterday with pictures of leaflets dropped on areas where loyalists to Abdullah Ocalan, the captured Kurdish guerrilla leader, may still be hiding.

French optimism tempered by concern over Germany and Italy

While some areas of the economy are slowing down, growth is surprisingly healthy, writes **Robert Graham**

More people have flocked to ski resorts during the French mid-term school break than ever before, undeterred even by the serious threat from avalanches.

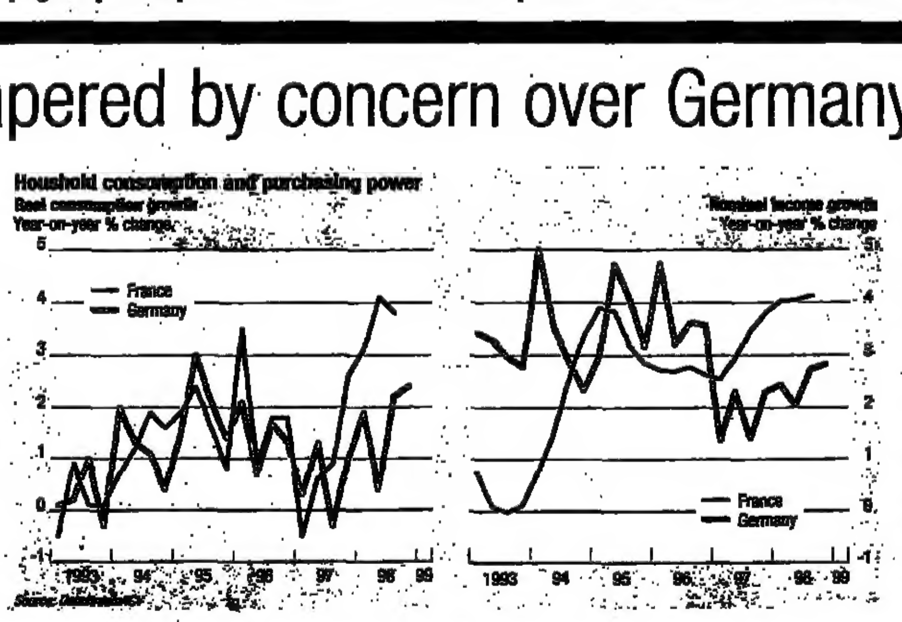
The flight to the mountains is just one of many signs that individual spending in France is not being held back by the emerging markets crisis. While some areas of the economy are slowing down, economic growth figures are surprisingly healthy – healthier than in neighbouring Germany, traditionally the continent's economic powerhouse.

France has seensignificant increases in spending since the end of 1997. These gathered pace last year, rising 3.5 per cent, the highest growth rate in 12 years, and spending still appears to have a strong head of steam.

In January household consumption of manufactured goods rose 3.6 per cent against the previous month. The effect of the January sales slightly inflated underlying demand. Nevertheless the purchase of new cars, one of the best indicators of consumer confidence, jumped 8.7 per cent.

Housing starts over the past three months are up 38 per cent on the same period 12 months ago and authorised construction permits have risen 80 per cent.

A number of factors lie behind this continuing strength in consumer demand. The housing sector, for example, was among the worst hit by the economic downturn of the early 1990s, but has since been boosted by fiscal measures introduced by the Socialist-led government which cut the cost of property transactions and encouraged the purchase of new housing. The fall in interest rates has also contributed.



There has more broadly been a sharp increase in disposable income. Last year average incomes rose almost 4 per cent, the highest in a decade. At the same time, inflation has fallen to exceptionally low levels thanks to low raw material prices, increased competition and productivity gains from new technology. Inflation is currently below an annualised 0.5 per cent, considerably lower than anticipated by the government in its macroeconomic calculations a year ago.

The second element behind strong consumer demand has been job creation. Unemployment has fallen over the past year by more than a full percentage point to under 11.5 per cent with over 300,000 new jobs being created. Roughly a third of new jobs resulted from the government's youth employment scheme. This is geared to first-time job-seekers and offers employment in the public sector. Though criticised for creating unproductive employment in jobs that range from helping in schools to organising taxi ranks at airports, the scheme creates more spending power.

"The French are doing better than Germany, in part because they don't have to worry about reviving an eastern economy," one Paris-based analyst explained. "But they also consciously began stoking domestic demand in the summer of '97 – more than a year before the Schröder government took office in Germany."

This demand-driven policy appears to have insulated France better than Germany from the emerging markets crisis that has damped external demand. Figures due shortly will show the economy grew 3.1 per cent last year.

The strong growth performance, however, masks a deceleration that began in the last quarter and is continuing in industry. Industrial production fell in December by 1.6 per cent month-on-month.

If the strength of car production is stripped out, the picture looks even more subdued.

The latest bulletin from the engineering industries association, which represents the sector most vulnerable to international competition, predicts overall growth in the first half of the year will be no more than an annualised 1.8 per cent.

This means the government's 2.7 per cent growth target for 1999 will have to be revised downwards to around 2.4 per cent, perhaps lower.

Somewhat contradicting this gloom in industry was the latest survey of investment confidence published by Insee, the official statistics institute. This showed industrial investments were due to grow a relatively healthy 5 per cent this year. The assessment was far more optimistic than the previous one in October made at the height of the emerging markets crisis.

It also came against a backdrop of competitive French exports growing 6 per cent and generating a 1998 surplus of more than FFr165bn (€25.1bn, $27.6bn). The weaker euro is expected to help exports this year outside the euro-zone. On top of this, French officials believe domestic consumption will underpin growth until external demand picks up.

Analysts counter the government's relative optimism by warning of the unforeseen dangers arising from a sharper than anticipated slowdown in the key German and Italian markets.

The faltering Germany economy is a wholly new situation for the French authorities and raises delicate problems about policy co-ordination to revive growth within the euro-zone.

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address.
GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg (ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maravigna, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D
SWEDEN:
Responsible Publisher: Bradley P Johnson. Telephone +46 8 791 2345. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

NEWS DIGEST

LUZHKOV SEEN AS MAIN RIVAL

Zyuganov believes he may win presidency

Gennady Zyuganov, the leader of Russia's Communist party, said yesterday he had a strong chance of winning the next presidential election, scheduled for summer 2000.

Mr Zyuganov said he expected Yuri Luzhkov, the mayor of Moscow, to be his main rival in the race. Mr Luzhkov has not yet formally announced his candidacy, saying only that he may run.

Yevgeny Primakov, Russia's prime minister, has recently topped opinion polls as the leading presidential candidate. But Mr Zyuganov said Mr Primakov probably would not emerge as a presidential candidate because of Russia's economic turmoil.

Mr Zyuganov said he was confident of victory because of the "existence of a well-matched team, a detailed programme to overcome the country's crisis, and people being sick and tired of liberal reform".

Mr Zyuganov's statement is his first indication he would run for president. In the past, he has avoided questions about his plans, saying his party would nominate the candidate. He also suggested earlier this month that the presidential ballot be scrapped altogether and that presidential powers be split between the cabinet and parliament.

Mr Zyuganov, who finished second in the 1996 presidential elections, has long urged President Boris Yeltsin to step down before his term ends. The Communists, who dominate the parliament's lower house along with their allies, have prepared an impeachment motion against the president but it is unlikely to succeed. **AP, Moscow**

NATO MEETING

Mediterranean talks to start

Nato hopes to give a fresh impetus to its tentative contacts on security policy with Mediterranean countries in a meeting today and tomorrow in Valencia, eastern Spain.

The discussions, under the aegis of Javier Solana, Nato secretary-general, could lead to more concrete initiatives for tackling instability in the region at the alliance's 50th anniversary summit in Washington in April.

The highest-level meeting so far of the Mediterranean co-operation group set up at Nato's 1997 summit in Madrid, the seminar brings together ambassadors and officials from Egypt, Israel, Jordan, Tunisia, Morocco and Mauritania as well as Nato allies. José María Aznar, Spanish prime minister, will take part today.

It comes as part of an initiative launched by Nato four years ago, recognising that the western military alliance's principal security concerns had shifted from its eastern flank to the south. The three central European countries poised to join Nato – Poland, the Czech Republic and Hungary – will also be represented. **David White, Madrid**

BASQUE REGION

Spain to appeal over aid

Authorities in Spain's Basque region said yesterday they would appeal against a European Commission decision outlawing an industrial aid package for the South Korean Daewoo group.

Daewoo's plan for a Pta11.8bn (€71m, $78m) refrigerator plant near Vitoria, the Basque administrative capital, was considered a triumph for the region when it clinched the investment, set to provide 700 jobs, three years ago. But competitors challenged the favourable aid terms, which included a 25 per cent grant and a tax credit arrangement covering a further 45 per cent of the total.

The Commission ordered withdrawal of the tax credit and repayment by Daewoo of part of the grant, which it said was subject to a 20 per cent limit, as well as assistance received for the occupation and purchase of the site.

Basque authorities claim the aid package complied with the maximum levels foreseen in an approved industrial promotion scheme, and say the land was sold at market prices.

Daewoo, which inaugurated the plant last May and has already invested half the planned total, expressed "profound concern" over the Commission's ruling. **David White**

Former PM let off as blood trial collapses

Zyuganov believes he may win presidency

Mediterranean talks to start

Spain to appeal over aid

TV deals in sport under scrutiny

By Emma Tucker in Brussels and Patrick Harverson in London

Karel Van Miert, the EU competition commissioner, yesterday fired a warning shot across the bows of sport's most powerful governing bodies when he pledged to police vigorously all their exclusive television contracts with broadcasters.

This will include looking into any exclusive TV contract lasting longer than a year.

Most TV deals in sport last between three and four years, which means that almost every large TV contract could come under scrutiny.

The Commission's main concern is that sports federations are abusing their control or near-control of a sport to conclude exclusive contracts on television rights, closing the market to competition.

However, Mr Van Miert indicated that the Commission's more aggressive approach to monitoring sports broadcasting deals would apply primarily to future deals.

He said most current long-term contracts, such as the four-year £670m ($743m) contract between British Sky Broadcasting and the English Premier League, were acceptable because they had been negotiated when the TV market was still developing and competition was less intense.

News of the Commission's new policy met a cautious response among some sports broadcasting executives. Jean-Paul de la Fuente, managing director of Media Content, a sports media consultancy, said: "If Van Miert is saying 'I reserve the right to look at all these deals', I don't have a problem with that."

However, he said "nobody in their right mind" in broadcasting would sign a deal for just one year. He said TV companies needed long-term contracts to build audiences and justify their substantial investments in rights and programming. Also, sports bodies needed them to provide certainty and stability to revenue flows.

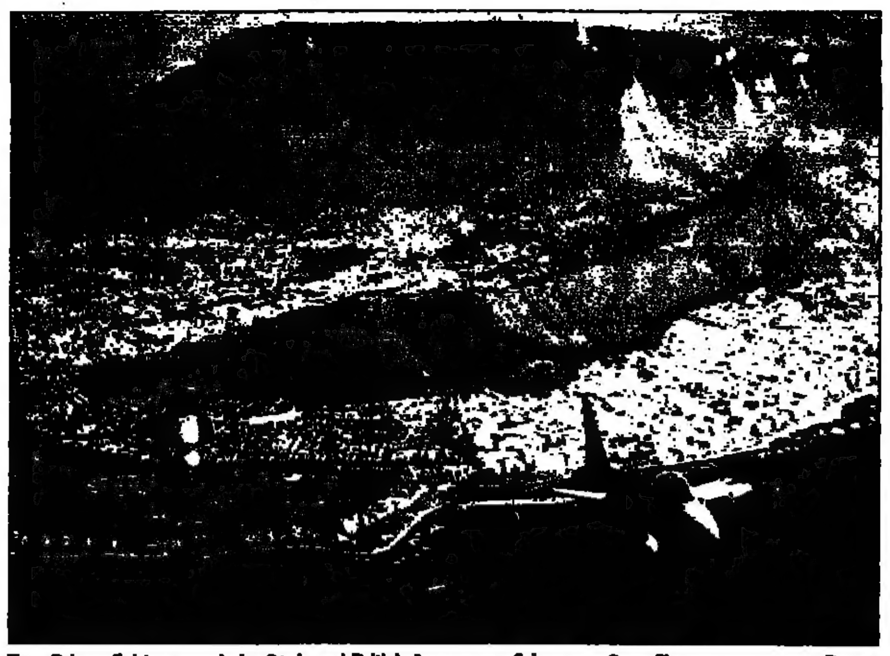
Outlining the Commission's new set of guidelines for the treatment of sports issues, Mr Van Miert said: "We are not contesting the rights of sporting organisations to make the rules, and to make sure they are respected, that is none of our business. We are trying to stick to the elements that are to do with the business of professional sport."

The commissioner, who has been criticised by sporting bodies for overstepping his powers as head of the EU's anti-trust authority, is investigating some 60 cases where sports bodies are suspected of breaching EU competition rules.

These range from complaints over the size of the bank guarantees that football agents must register with soccer's world governing body to obtain a licence, to a complaint to European soccer's governing body that it barred French and Belgian authorities from staging a Belgian "home" match in France.

To arms! Swedish defence industry feels threatened

Big spending cuts follow fundamental rethinking of country's needs in the post-cold war era, reports Tim Burt



Two Gripen fighters, made by Saab and British Aerospace, flying over Cape Town Reuters

The corridor outside the office of Sweden's supreme commander is lined with old muskets and swords – a testament to the kingdom's history as a military power in northern Europe until the 18th century.

From here, senior officers oversee the largest defence budget in the Nordic region, dispatching 21,000 conscripts around the country each year and investing heavily in state-of-the art fighter jets and surface-to-air missiles.

In the past two weeks, however, morale among the country's armed forces commanders has been hit by government proposals to cut annual defence spending by SKr4bn ($500m) – or 10 per cent – in the coming years.

"Officers are very unhappy, and some do not see much future in the service," according to one senior naval commander, who declined to be named.

At stake is Sweden's ability to defend itself. Although the country has not been engaged in a war since 1814, the country's armed forces have long argued in favour of "armed neutrality". For 40 years, that has meant maintaining a defensive readiness against a potential invasion.

The latest proposals – coming on top of plans to contain defence spending at current levels until 2001 – reflect a fundamental rethinking by Swedish politicians of the country's military requirements in the dying months of the 20th century.

Government ministers claim that the disintegration of the Soviet Union and end of the cold war have put Sweden on a different defence footing. The possibility of invasion is now so remote that the country does not need large armed forces.

Given the subdued threat in the Baltic Sea basin, the SKr40bn defence budget looks ripe for pruning, particularly at a time when the government wants to keep a tight rein on public finances.

That has caused grumbling and disenchantment with the armed forces headquarters – and barely concealed alarm in the Swedish defence industry.

Unlike most of its neighbours in the Nordic region, the defence industry in Sweden remains a large employer – of 20,000 Swedes – and has developed expertise in making fighter aircraft, submarines, naval ships, armoured vehicles and all manner of weaponry.

Industry analysts warn that this sector could be adversely affected by the proposed spending cuts, which have been agreed by the ruling Social Democrats and the opposition Centre party. They predict that Swedish military equipment companies such as Celsius and Saab Aerospace could see orders curtailed as the armed forces try to adjust to new expenditure ceilings.

In recent days, there have been unconfirmed reports that the government could cut its order for 204 JAS Gripen fighters by 40 aircraft, while naval experts doubt there will be sufficient demand or funds to proceed with a SKr15bn-SKr20bn submarine programme.

In addition, the armed forces are planning to cut annual conscription numbers from 21,000 to 18,000 and disband up to 12 training establishments.

"At this sort of level, the possibility of defending the country, particularly in the far north, becomes extremely difficult if not impossible," said one senior army officer.

If the government cuts its defence requirements, it will also force Swedish arms companies to rely heavily on export orders, an area where they have achieved mixed results in the past.

Some analysts claim the so-called Viking submarine project – involving a Nordic requirement for up to 10 new boats – might be jeopardised if manufacturers including Celsius of Sweden and Kongsberg Defence and Aerospace of Norway fail to arouse export interest from Singapore or South Korea.

More crucially, any reduction by the Swedish air force in its requirements for JAS Gripens could hamper long-running efforts to win overseas sales for the flagship fighter – handled jointly with British Aerospace of the UK, which last year acquired 35 per cent of Saab Aerospace.

Failure to win such orders could, in the long run, make arms companies more vulnerable to takeover as Europe's defence industry pursues further consolidation.

For the country's politicians and armed forces chiefs, cuts in personnel and equipment levels could also force a re-evaluation of conscription and the decision to remain outside Nato.

The government has already signalled its readiness to consider a change in defence status by committing troops to international peacekeeping, although current laws forbid more than 3,000 troops serving overseas at any one time.

The latest defence cuts could, therefore, become a tool to transform Sweden's defensive posture for good. "There is a growing realisation that Sweden cannot act alone in any future conflict," according to one senior officer. "The days of armed neutrality could be numbered."

Blair pledges fight over art sales law

By Emma Tucker in Brussels

Tony Blair, the British prime minister, said yesterday he ruled out "absolutely nothing" in the tactics the UK would employ to oppose a draft EU law that London's auction houses say will drive art sales out of the European Union and lead to 5,000 job losses in the UK.

Mr Blair said modifications to the so-called resale right directive did not yet go far enough. "At present, we certainly could not agree to this directive," he told the House of Commons.

However, Lorenz Schomerus, Germany's state secretary in the economics ministry, is understood to be preparing to offer further concessions to the UK to try to secure its acceptance of the proposal, even though it already commands enough support in the Council of Ministers to be adopted. The proposal requires the support of a qualified majority of member states to become law.

The directive, first proposed by the Commission in 1996, entitles European painters and sculptors to a royalty payment for resold works up to 70 years after they die – a right which exists in all EU member states bar the UK, Ireland, Austria and the Netherlands.

British auction houses argue that the directive will drive art sales out of the EU to the US and Switzerland, where no so-called resale rights are imposed. "This directive will kill the trade in major 20th century pictures in London and the consequences for the London art market will be disastrous," said the British Art Market Federation.

Mr Schomerus's compromise deal would reduce the tax to be levied on the most pricy works of art to less than 1 per cent. However, the British argue that works of art worth more than €500,000 ($555,000) should not be taxed at all.

Germany is also prepared to offer a longer introduction of the new law, extending the proposed two years to four. However, according to a council official, these two concessions will not be presented formally until the British have indicated they will accept them.

Ireland, the Netherlands and Luxembourg also oppose the directive, but together with the UK do not possess enough votes to form a blocking minority.

Mario Monti, the single market commissioner who proposed the law, believes the directive will eliminate distortions of competition in the single market for works of arts while safeguarding artists.

Online auctions, Page 8

Brussels rejects Irish aid plan

By John Murray Brown in Dublin

Ireland's attempt to split the country into two regions to qualify for continued European aid has been rejected by the European Commission.

The country, which receives more aid per capita than any other member state, has reclassified 15 counties in the south, east, midlands and border areas as a poor region. However, a Commission official said yesterday the move was "not justified in statistical terms".

The announcement, contained in a letter from Eurostat, the Commission's statistics agency, on Tuesday, comes ahead of this week's critical Agenda 2000 negotiations, which are set to tighten the rules on eligibility for aid to support the cost of European Union enlargement.

A spokesman stressed: "This is not the end of the matter". Bertie Ahern, the Irish prime minister, is to raise the issue with Jacques Santer, the Commission president, later this week. Last night, the government wrote to Eurostat seeking an urgent meeting.

The original plan envisaged 13 counties but Mr Ahern included Kerry and Clare counties. This was partly to placate a truculent Kerry independent representative, on whom the Fianna Fail coalition with the Progressive Democrats depends to sustain its majority.

A regionalisation initiative was announced only two weeks ago. But a Commission official said the devolved structures envisaged were "too specifically focused on administering EU aid and not sufficiently wide-ranging".

The opposition Fine Gael yesterday accused the government of "botching" the application.

Before the Eurostat decision, Mr Ahern said he would be pressing his EU partners to "look beyond the very recent statistics on Irish economic performance and to recognise our need to consolidate our growth".

The country's infrastructure, he said, had "much further to go" and Ireland "must continue to be assisted if we are to catch up".

Ireland's EU transfers accounted for 7 per cent of gross domestic product in 1991, coming down to 5 per cent in 1996. But with recent growth, Irish per capita income is now more than 75 per cent of the EU average – the threshold to qualify for structural funds.

Splitting the country into two regions would have provided Ireland with an extra I£100m ($86.4m) a year in structural funds, compared with the current total of I£1.2bn.

Peter Brennan, head of the Brussels office of the Irish Business and Employers Confederation, says that if the country was split into two, the central government would be more free to provide poorer areas with state aid.

Single banking authority urged for euro-zone

By George Graham, Banking Editor

European banking supervisors need to move quickly to create what is effectively a single supervisory authority for the whole euro area, a senior official of the European Central Bank said yesterday.

Tommaso Padoa-Schioppa, a member of the executive board of the ECB, said the creation of the euro increased the need for co-operation among Europe's national banking supervisors, who might have difficulty dealing properly with banking crises whose effects might be felt across the whole area.

"I do not mean necessarily a single authority or a single set of prudential rules. Rather, I mean that the system of national supervisors needs to operate as effectively as a single authority when needed," he said in a lecture at the London School of Economics yesterday.

The lecture is the most detailed discussion so far of the ECB's approach to the issue of banking supervision. Although responsibility for supervision remains at the national level, the Maastricht treaty provides for the ECB to be consulted on new rules, and also establishes a fast-track procedure for giving it a supervisory role.

The International Monetary Fund has warned that the current framework, in which monetary policy is handled at the level of the whole euro area but supervision remains at the national level, leaves it uncertain how a European bank crisis would be handled.

The Centre for Economic Policy Research, a European think tank, has also asked questions about the euro system's ability to cope with a financial crisis.

In a recent paper it doubted whether the simple arrangements for co-ordination among national supervisors would prove to be safe.

Mr Padoa-Schioppa said these criticisms were based on an outdated view of the central bank's role as lender of last resort. In reality, cases where the central bank might be called on to provide funds for a commercial bank which was solvent but illiquid were rare.

"What if this rare event were to occur and cause a systemic threat? The clear answer is that the euro area authorities would have the necessary capacity to act," he said.

Battle for China air traffic contract

By James Harding in Beijing

US, European and Japanese companies are competing to provide China's first regional air traffic control centre, the initial step in a sweeping $1.2bn programme to upgrade Chinese air traffic control systems.

The contract offers a new scale of opportunity for foreign suppliers of air traffic management systems to China, but comes at a time of acute sensitivity in the US over sales of civilian technology that could have military applications.

The contract, for a regional air traffic control system for Beijing, is part of the process of replacing the overstretched patchwork of 37 air traffic control towers with a network of 10 area control centres that would deliver much more detailed information about aircraft in China's airspace.

An executive at one company bidding for the contract said: "In financial terms, as well as technological ones, this is a quantum leap for a foreign contractor. Instead of $10m an installation, this represents a $100m-$200m contract."

The Beijing contract is expected to be worth $80m-$100m, but more deals are expected to follow shortly. Foreign companies are also preparing to bid to provide similar regional centres in Shanghai, Guangzhou and Wuhan.

There are at least six companies bidding for the Beijing deal, including Lockheed Martin and Raytheon of the US as well as Thomson-CSF of France.

The decision by the Civil Aviation Administration of China (CAAC) to spend $1.2bn to upgrade the air traffic system by 2010 is intended to reduce the risk of accidents and cope with rapid growth of passenger numbers, the official China Daily said yesterday. China's aviation safety record has improved dramatically since the early 1990s, when there was a spate of crashes and hijacks. However, a China Southwest Airlines aircraft carrying at least 50 people crashed in eastern China yesterday. Initial reports said there was a mid-air explosion, but one aviation official said later the Tupolev Tu-154 flew into a mountain.

Industry analysts emphasise that the new radar equipment and software systems would be strictly for civilian use. The US has previously approved sales of ATC technologies to China.

But one US businessman in China said that air traffic control "cuts across the defence and sovereignty issues... the PLA [People's Liberation Army] is the ultimate master of the CAAC and, of course, can use the ATC systems that the US contractor will provide for ostensibly civilian reasons."

Reports of US sales to China of so-called "dual use" technologies – equipment serving a civilian function but with potential military applications – have recently raised alarm in Washington and put a strain on the relationship with Beijing. The US this week confirmed it had rejected a $450m Hughes satellite deal with a Chinese-led consortium because of fears that sensitive technology would get into the hands of China's army.

US businessmen in Beijing and Shanghai are concerned that the rising political temperature in Washington over possible transfers of military technologies to Beijing is prompting the US administration to take an even more restrictive line on all high tech exports, which threatens to shut out US companies from large areas of China's civilian market.

TEXTILES MACHINERY

Italians to advise Thailand industry

By Peter Marsh

Italy is to send a team of textile machinery specialists to Thailand to prepare a plan to improve the country's textile industry, a large export earner.

The efforts are being organised by ACIMIT, the Italian textile machinery trade association, and could lead to extra orders for Italian makers of this equipment which are among the world leaders in the industry.

Even though Thailand has been among the countries worst hit by a recent severe slowdown in the textile industry, it is keen to prepare for a possible resurgence in the industry's fortunes early next decade.

Italy is among the four biggest countries worldwide important in making textile machines – the others being Germany, Switzerland and Japan.

Italian companies are estimated to account for about 15 per cent of the world's $22bn a year textile machinery production.

Sales of this equipment this year are likely to be 10-20 per cent down on last year, as a result of the slump in the textile industry particularly in south-east Asia.

The industry in this part of the world has been responsible for roughly half of the world's purchases of textile machinery during the 1990s, as it has sought to expand production and move to higher-value textiles. However, the economic crisis that hit the region 18 months ago has led to a large fall-off in orders.

Large Italian makers of textile machinery include the Radici group, which includes the Somet and Vamatex companies and makes weaving and spinning systems, and the Lonati group, the world's biggest maker of sockmaking machines. Another big supplier is the Orlandi group, which makes wool-processing equipment.

The team of about three Italian machinery experts will visit Thailand in April to visit a number of leading textile companies. "They will be there for several weeks and check on the state of the [machinery] assets to assess what can be done to improve quality and efficiency," said Federico Pellegata, director of ACIMIT.

Apart from Thailand, India, China, Korea and Malaysia are all among the countries which have reduced their purchasing of textile machinery this year, according to leading suppliers in the industry.

Hungary seeks mobile phone tenders

By Robert Wright in Budapest

The Hungarian government yesterday invited tenders for its long-awaited third digital mobile telephone band, the 1,800 megahertz frequency. The successful bidder was likely to have to pay at least $25.4m for the licence, Hungary's department of transport, communication and water management said.

The winner will be competing against two existing digital mobile operators, Pannon GSM, a Dutch-Scandinavian consortium, and Westel 900, which is 51 per cent owned by Matav, the former state telephone company, and 49 per cent by MediaOne of the US.

Licences on the 1,800 frequency have been reserved for Westel 900 and Pannon, which have complained of lack of space on their existing frequencies.

They will be able to start using the new band 18 months after the new entrant and will have to pay a similar sum for the wavebands to the new entrant into the market.

The new entrant will also eventually be given space on the 900 frequency, to ensure free competition by providing all companies in the market with the same technology.

The 1,800 MHz band is expected to require more investment in relay stations than the existing systems. The bidder will have to form a consortium with Antenna Hungaria, a largely state-owned operator of television transmitters, and Magyar Posta, the state-owned post office.

The Hungarian partners will need to have at least one vote over 25 per cent of the voting capital in the new enterprise.

The tender had originally been expected to be advertised in October, but technical problems prevented agreement on terms until recently.

Matav has agreed to give up earlier than expected a number of frequencies it uses to link isolated homes by radio to the main telephone network. It will receive compensation from the government.

Bids will have to be entered by May 7 this year. The new entrant is expected to be operating by Christmas.

● Dunamenti Power, the Hungarian utility majority-owned by Tractebel of Belgium, may lose out in a tender to build a new 400MW coal-fired power station south of Budapest, adds Kester Eddy.

The loss of the $400m station is another twist to the Hungarian energy privatisation story, which has been plagued by controversy since the partial sell-off began in 1995.

The tender, controlled by state-owned electricity wholesale company MVM, was originally invited in 1997 for up to 1,000MW capacity.

The MVM board is to meet today to finalise the official announcement after a delay of several weeks caused by behind-the-scenes bargaining.

German utility RWE, which sought to build an 800MW lignite station in NE Hungary, is now understood to have emerged as the preferred bidder. RWE declined to comment on the tender until the official result is announced, probably tomorrow.

EU pact 'five' anger Pretoria

By Victor Mallet in Johannesburg

South Africa yesterday sharply *criticised* five European Union countries for blocking an EU-South Africa free trade pact, accusing them of pursuing their own "very narrow interests" in agriculture and warning that the whole package was now at risk.

Alec Erwin, South African minister of trade and industry, said in Cape Town that his government felt "very real disappointment" over the EU decision and now reserved the right to make its own changes to the draft plan agreed with the European Commission after four *years of negotiations*.

"If the member states are unable to reach an agreement as the EU and individually seek changes, then we clearly will reserve our position on previous constructive concessions," he said.

EU foreign ministers refused to accept the free *trade pact* at a meeting in Luxembourg on Monday because France, Spain, Portugal, Italy and Greece argued that it was too generous to South Africa. They were particularly unhappy about South African wine and fruit exports to Europe and about a compromise *clause on the continued use* by South African vineyards of the terms "port" and "sherry". Portugal and Spain say the words should be *applied only to the products* of the regions around Oporto and Jerez.

Mr Erwin said yesterday he thought failure to conclude *an agreement would* show they were "incapable of accommodating the needs of developing countries".

South Africa needs a free trade deal more than the EU, but is annoyed that it is being forced to open its weak industrial markets to European imports while having its competitive farm exports restricted.

The proposed agreement would cover an annual $20bn of trade. The EU would open its market to 95 per cent of South African exports over 10 years, while South Africa would give free access to 86 per cent of EU exports after 12 years.

NEWS DIGEST

CAR IMPORTS

Thailand raises tariffs on vehicle parts

Thailand's cabinet has approved a new tariff and excise tax structure for vehicles and vehicle parts to prepare for the end next year of domestic content rules governing local vehicle assembly. The revision, long awaited by established manufacturers such as Toyota and Honda as well as newcomers Ford and GM, raises import tariffs on vehicle parts to 33 per cent from 20 per cent but reduces excise taxes on finished cars by 2 per cent. The tax previously ranged from 35 to 48 per cent. It also keeps import tariffs on fully built vehicles at 80 per cent and eliminates special import categories for "knock-down kits" which undergo simple local assembly.

Local vehicle parts producers had called for tariff protection once the local content requirement was removed, a key demand by multinational manufacturers. But in order to avoid vehicle price rises, the excise tax had to be lowered, government officials said.

The elimination of knock-down kits combined with the tariff increases hits hardest at local assemblers who work on contract building up small volumes of luxury brands, such as Mercedes, BMW, Volvo and Jeep. In the past year some of these local assemblers, already hurt by the collapse in Thailand's vehicle market, have seen their assembly contracts terminated by the large carmakers in favour of plants owned directly by the car makers.

Ted Bardacke, Bangkok

MARITIME FREIGHT

Oil slowdown hits sea trade

World seaborne trade grew 2.2 per cent last year, the smallest rise since 1987 and half the 4.1 per cent increase seen in 1997, according to preliminary estimates by the United Nations Conference on Trade and Development.

Unctad said the slowdown was due mainly to sluggish trade in liquid bulk cargoes, mostly oil and petroleum products, which account for something under half the 5bn tons of freight carried by sea last year.

However, between 1990 and 1998 world seaborne trade rose by 3.3 per cent annually, more than four times the rate in the 1980s though below the 4.2 per cent annual growth recorded in the 1970s.

In its latest report on maritime transport published this week, Unctad says open registries such as Panama and Liberia have increased their share of the world fleet to 46.5 per cent in 1997 against less than a third in 1980.

Frances Williams, Geneva

Review of maritime transport 1998 (Sales No.E.98.II.D.12), UN sales section, Palais des Nations, CH-1211 Geneva 10, fax +41 22 917 0027, email unpubli@unog.ch. $50.

INFORMATION TECHNOLOGY

Probe into non-tariff barriers

The World Trade Organisation is to examine ways of lowering non-tariff barriers to trade in information technology products which could lead to a set of international rules covering technical regulations and standards.

The WTO's information technology committee yesterday agreed to an Australian proposal for a work programme on non-tariff barriers which would focus on product testing, certification and import licensing.

Australia said traders and producers of high-tech products such as telecoms and computing equipment were encountering significant obstacles from differing standards and duplicative testing and certification requirements. These constraints were often enough to nullify benefits from lower tariffs on IT products.

Frances Williams, Geneva

FINANCIAL SERVICE REFORMS ATTEMPT TO LIMIT COMMUNITY LOANS COMES UNDER FIRE FROM TREASURY SECRETARY

Rubin attacks Republican lending curbs

By Richard Wolffe in Washington

Robert Rubin, US Treasury secretary, yesterday condemned efforts by Republican senators to limit the scope of community lending laws as part of their reforms of the financial services industry.

Speaking before the Senate banking committee, Mr Rubin said the Republican draft bill used "broad and vague terms" which would harm the links between banks and poor communities.

Phil Gramm, the new banking committee chairman, last week unveiled draft legislation which included "anti-extortion" measures to limit the scope of the so-called community reinvestment requirements.

Mr Gramm's strong opposition to the community lending laws is widely believed to have caused the failure of attempts earlier this year to overhaul the Depression-era and post-war laws which govern US financial services.

However, Mr Rubin said yesterday that the community reinvestment provisions had proved crucial in expanding by more than 50 per cent the number of mortgage loans made to black and Hispanic borrowers since 1993.

He warned that the Justice Department would oppose the new laws limiting community reinvestment. He said the draft laws "could criminalise normal, legitimate, arms-length transactions and productive co-operation between banks and community groups".

Mr Rubin said he opposed attempts to limit the opportunity for community groups to discuss the performance of banks as part of regulators' reviews of merger proposals.

If passed, the reformed laws would create a new breed of financial conglomerates, mixing banking, insurance and broking on a broad scale for the first time since the Depression.

Mr Rubin repeated his long-standing opposition to parts of the new legislation which would undermine the Treasury's supervision of the new conglomerates and shift power to the Federal Reserve. He said the legislation would weaken the safety of the banking system and threaten federal funds which insured bank deposits. It would also limit the administration's power over economic policy by weakening its connection with banks, Mr Rubin said.

The White House says it will veto the new laws if Congress approves them in their current form.

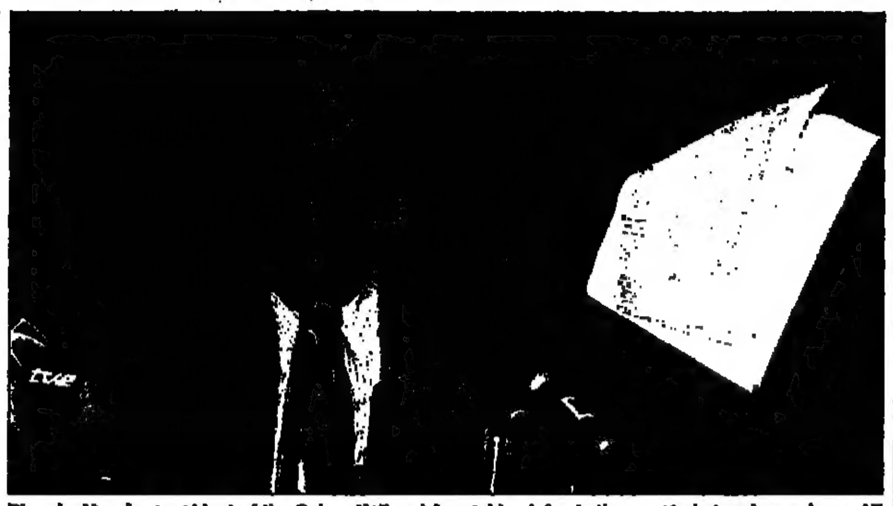
Alan Greenspan, chairman of the Federal Reserve, told congressmen yesterday that he was prepared "to give up some of our so-called turf" in order to help the legislation pass through Congress. But he warned that Mr Rubin's proposals would make the Treasury "the very major player in supervision and regulation".

While he had no objection to such a shift in power, Mr Greenspan suggested that the Treasury's proposals on the corporate structure of the new banks would weaken the stability of the banking system. He said it would also create "far greater problems for the international and the domestic financial system".

Congressmen on the House banking committee urged Mr Greenspan and Mr Rubin to settle their differences on regulatory powers promptly.

Cuba's defensive leadership quick to reimpose iron grip

US modifications to the Havana embargo are ideologically threatening, write **Pascal Fletcher** and **Richard Lapper**



Ricardo Alarcón, president of the Cuban National Assembly, defends the country's tough new laws AP

Almost three years after a Cuban MiG fighter blasted two small US-registered aircraft out of the sky north of Havana, Cuba's communist government has once again surprised the world with another heavy-handed demonstration of just how far it is willing to go to defend itself.

This time, instead of air-to-air missiles the authorities have rolled out a battery of tough anti-subversion legislation which, if interpreted at its widest, could be employed to persecute virtually any opposition or criticism of the government, however peaceful.

Some observers fear the new Law for the Protection of National Independence and the Economy, passed last week, could even be used to restrict the access of foreign diplomats, businessmen and journalists to information about the economic, political and social life of the Caribbean island.

The legislation penalises with jail terms ranging up to 20 years all "collaboration" with Washington's hostile policy towards Cuba.

This applies to all forms that this US policy might take, including the 1996 Helms-Burton law that tightens the US embargo against the island by targeting foreign investment. Collaboration is widely defined to include supplying or seeking information, possessing "subversive" material, holding meetings or demonstrations or even working with the media.

Dissident Cuban journalists, who have increasingly been sending articles and commentaries critical of the government abroad via telephone and the internet, believe the law is aimed at them. But foreigners working in Cuba, whether as diplomats or in business, are also trying to work out how it might affect their activities.

"The wording is so wide it can simply cover anything and everything," one foreign lawyer said. "If I give information or honest advice to a client about investing in Cuba, am I breaking the law?"

The move has also left foreign governments asking just what Cuba hopes to achieve with this apparently regressive step in terms of respect for human rights and its international image.

"This doesn't exactly put Cuba in a good light," one Havana-based diplomat said, noting the legislation was being introduced just weeks before the regular annual meeting in Geneva of the United Nations Human Rights Commission, where Cuba has faced censure in the past.

There is already no shortage of laws in Cuba restricting political opposition and anti-government criticism. So the new law, passed along with an equally tough anti-crime bill, seems all the more puzzling, especially since Cuba appeared to have been successful over the last year in improving its standing in the international community following Pope John Paul II's visit to the island in January last year.

Cuban leaders have presented the new anti-subversion measures as a legitimate defensive action in the face of what they say is an intensified US government campaign to subvert one-party communist rule in Cuba. "The United States is not thinking about invading any more, but it is thinking about promoting internal subversion," President Fidel Castro told the National Assembly.

The measures appear to be an uncompromising response by Havana to modifications announced last month by President Bill Clinton to the embargo against Cuba.

The changes, which include wider approval for flights and cash remittances to the island and authorisation for US food and farm supply sales to non-government bodies, are designed to encourage what US officials like to call "people-to-people" contacts and "civil society".

Cuba's leadership sees these concepts, with their clear undertones of seeking to change the existing political order, as ideologically threatening.

Some Miami-based Cuba watchers even believe Mr Castro does not really want normal relations with the US. "Any time they [the Cubans] see movement in the US, they clamp down," said Damián Fernández, associate professor of international relations at Florida International University.

Just how defensive Mr Castro appears to be these days may be deduced from his other comments about alleged US intentions.

"They want to conspire, to take advantage of our internal weaknesses, of shortages, of cash remittances [sent from the US], of our economic opening, of tourism. [They want to] encourage crime to weaken us, because the 'lumpen' are the allies of counter-revolution," the Cuban leader told the National Assembly.

Domingo Moreira, a member of the executive board of the Cuban American National Foundation, a leading Cuban exile group, believes Mr Castro wants to send a clear message to Ibero-American leaders who are due to hold a summit in Havana later this year. "[He's saying] don't even raise the issue of political liberalisation. Save your breath."

NEWS DIGEST

ARGENTINE UTILITIES

Buenos Aires power cuts fuel anger over regulation

Argentina's worst power cut, which has left thousands of residents of Buenos Aires without electricity for the past 10 days, has sparked political controversy over regulation of the privatised utilities. The blackout has also brought the threat of a $89m fine against the electricity distribution company Edesur, controlled by Enersis of Chile.

The power cut began on February 15 with an unexplained fire in a new electricity substation in central Buenos Aires. About 150,000 customers, or an estimated 500,000 individuals, were left without power.

Angry residents have taken to the streets in noisy demonstrations demanding compensation for the inconvenience and lost business. Apartment blocks were left without lights and power for lifts and air-conditioning, or to pump drinking water up to roof-top tanks. Edesur was yesterday attempting to restore power to remaining customers, after cutting the numbers of those affected to about 15,000.

The government of Carlos Menem, president, has prided itself on the increased efficiency of services after the privatisation of utilities and other state enterprises. However, the opposition Alliance this week lambasted the government over what it claimed was inadequate supervision of the electricity industry. The government was supporting the "absence of control, the absolute rule of the market and a basic lack of protection for consumers," said Carlos "Chacho" Alvarez, the Alliance's vice-presidential candidate in October's elections.

Ministers yesterday sought to shift some of the blame for the slow response to the blackout back on to the Alliance, which controls Buenos Aires. "We call on the city government to assist us in limiting the effects of the cut, not to act as if it's happening somewhere else," said Carlos Corach, interior minister. Ken Warn, Buenos Aires

CHICAGO MAYOR

Daley wins by landslide

Richard M. Daley yesterday embarked on his fourth term as Chicago's mayor, after voters gave him a landslide victory over Bobby Rush, the former Black Panther activist-turned-US congressman who failed to connect with many Chicagoans. The size of Mr Daley's majority, and the fact that when his latest term expires he will have been Chicago's mayor for 14 years, invoked comparisons with his father's rule at City Hall. Richard J. Daley became mayor in 1955, holding the position for 21 years.

With almost all votes counted yesterday, Mr Daley had won about 72 per cent, against 28 per cent for Mr Rush, on a 44 per cent turn-out.

Mr Daley's latest victory comes against a backdrop of general prosperity for America's third largest city, with low unemployment, property prices surging, and the transition from a one-time manufacturing centre to a more service-focused economy well under way. Nikki Tait

On the web today
- New technology for old masters in online auctions
- Canadian fast-ferry plan awash with problems
- US independent counsel law under threat

http://www.ft.com/americas

Thailand raises tariffs on vehicle parts

Oil slowdown hits sea trade

Probe into non-tariff barriers

Hong Kong court asked to clarify ruling

By Rahul Jacob in Hong Kong

Hong Kong's government is to seek "clarification" from the territory's highest court on parts of a controversial ruling late last month which mainland officials have recently demanded be rectified.

The request concerns passages in a landmark judgment on January 29 in which the Court of Final Appeal declared its right to review legislative acts of the National People's Congress (NPC), China's parliament, and its Standing Committee that affect Hong Kong.

The assertion of the court's autonomy – as it argued was within its jurisdiction to disregard acts of the NPC if they contravened the Basic Law, Hong Kong's post-colonial constitution – drew sharp criticism from mainland legal experts and officials.

The government's desire for clarification was described by the Hong Kong Bar Association as a potentially dangerous precedent. "To ask the court to reconsider or explain its judgment is totally unheard of," said Ronny Tong, the bar's chairman.

In mid-February, Elsie Leung, Hong Kong's secretary for justice, returned from a trip to Beijing aimed at reducing the crisis and said that government officials wanted parts of the ruling changed.

Yesterday, the government also announced that Tung Chee-hwa, Hong Kong's chief executive, would next week visit Beijing, where he will meet mainland officials and attend the NPC standing committee meeting beginning on March 5.

Legal experts in Hong Kong had predicted that the NPC might seek to reinterpret the Basic Law at that meeting to limit the court's jurisdiction.

Such a move would be within the powers accorded to the NPC's Standing Committee under the Basic Law. Yesterday's move to seek clarification of the court's unanimous decision appeared to be a last-ditch attempt to resolve the dispute in Hong Kong.

"They are caught between a rock and a hard place. The court's judgment is pretty clear," said a senior executive with an investment bank.

The Hong Kong government said that its highly unusual step reinforced the "one country, two systems" principles by which the territory is governed. It stressed that it was not seeking to overturn any part of the court's decision.

The constitutional row has raised questions about how much judicial autonomy China will allow Hong Kong and drawn statements of concern from the local American Chamber of Commerce and, on Monday, from the ratings agency Standard and Poor's.

Taipei hesitates over real financial reform

Mure Dickie reports on a raft of measures to boost bank profits and reduce bad loans

Red envelopes filled with crisp new currency are a traditional gift for children at Chinese New Year, but Taiwan marked the start of the Year of the Rabbit this month by promising to hand out wads of cash not to youngsters but to the island's troubled banks.

A raft of measures aimed at boosting bank profits and cutting bad loans raised some analysts' hopes that a much heralded shift in the government's economic approach, from bandaging market wounds to treating deep structural ills, had at last arrived.

The next official act of beneficence is likely to dim such hopes, however. Despite the objections of Vincent Siew, premier, pressure is building for a cut in the stock transaction tax to boost shares prices – a move that could carry a heavy cost in precious revenues and government credibility.

Support from President Lee Teng-hui for the tax cut, strongly promoted by influential businessmen and ruling party legislators, has prompted widespread speculation that Mr Siew's position is untenable. The resultant political instability is undermining the consumer confidence so badly needed for market and macro-economic revival, says Huo Tehming, finance professor at National Chengchi University.

"They wanted to jump-start the market," says Mr Huo, "but a lot depends on psychology and now everyone is discussing the political situation."

Residents of nations devastated by Asia's economic storm may find it difficult to sympathise. Taiwan reported economic growth of 4.8 per cent in 1998 and expects gross domestic product to expand 4.7 per cent this year – figures that would be considered miraculous elsewhere in the region. But last year's performance was Taiwan's weakest in 16 years, and many analysts fear the official forecast for 1999 will prove too optimistic.

Popular concerns have centred on the Taipei stock market, which fell 21.6 per cent in 1998 and has lost a further 2.6 per cent so far this year. The market is dominated by individual investors, making its travails a political issue, but past government efforts to support prices have suffered ignominious failure.

"People are coming to terms with the fact that the economy is slowing and that the manufacturing sector is in a very deep profit recession," says Duncan Wooldridge, Merrill Lynch senior economist for north Asia.

The proportion of overdue loans at domestic banks has risen to nearly 5 per cent – far lower than elsewhere in Asia, but enough to reinforce lender caution.

Efforts to encourage lending have had only a limited effect on freeing credit, prompting the government's new year package of reductions in reserve requirements and cuts in the tax on banks' operations – largesse expected to raise banking sector profits by around T$41bn (US$1.26bn) a year.

The package was billed as a long-term reform that would promote mergers in an over-crowded sector, but it follows a string of measures that could help banks merely to paper over their problems. Regulators eager to encourage lending have already allowed banks to reclassify loans and investments to minimise their negative earnings impact.

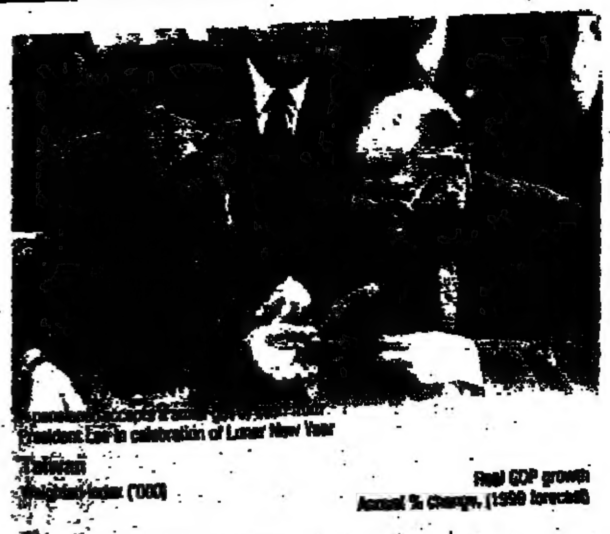
Other economic stimulus efforts have been equally controversial. A plan to support the real estate market was widely condemned as benefiting developers who are saddled with huge and over-priced inventories but who continue to unveil new construction projects.

Influential business groups are calling for the creation of a new fund that would use the proceeds of government bond issues to carry out emergency share buying – in spite of past failures in this area.

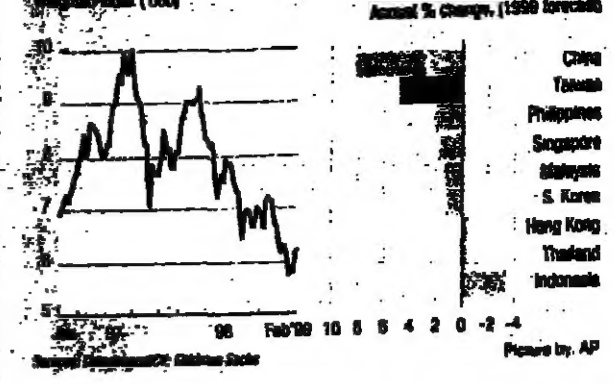
Mr Siew has underlined the intended shift toward long-term solutions by announcing action to promote bank mergers and to increase market transparency by giving new teeth to the Securities and Futures Commission.

But the message has been clouded by Mr Siew's apparent failure to hold fast against a cut in the 0.3 per cent stock transaction tax. Economists say such a cut will further strain a national budget already stretched by big-ticket infrastructure spending and raise turnover on what is already a volatile bourse.

For many the very comforts of low levels of foreign debt and huge foreign exchange reserves are a source of danger. Without the fear of meltdown to prompt deep reform, Taiwan's troubles on the stock and property markets and banking weaknesses could lead the island into the kind of slow decline that has afflicted its northern neighbour, Japan.



[illegible] celebration of Lunar New Year



Source: Datastream/ICV; Goldman Sachs

Picture by AP

Vietnam and China inch towards more neighbourly relations

By Jonathan Birchall in Hanoi

The general secretary of the Vietnamese Communist party, Le Kha Phieu, begins a six-day visit to China today amid signs of continuing improvement in ties between the two neighbours, which fought a bloody border war 20 years ago.

It will be Mr Phieu's first visit to China since taking over as head of the party in December 1997, and follows a visit to Beijing that year by his predecessor as general secretary, Do Muoi.

In an outward sign of the changed tone of the relationship, the Vietnamese capital Hanoi has in recent months played host to a number of Chinese-sponsored cultural events, including a trade show, an exhibition of ice sculptures, and a lantern display from the southern Chinese province of Yunnan.

Vietnam also allowed this month's anniversary of the 20th anniversary of the Chinese invasion of 1979, which cost thousands of lives on both sides, to pass without official remark.

With both countries feeling the effects of the Asian crisis on their economic reforms, Hanoi has also been increasingly prepared to acknowledge the extent to which it is modelling its policies on Chinese experiences.

Vietnam's deputy prime minister, Nguyen Tan Dung, told foreign reporters late last year that Vietnam's efforts partially to privatise state-owned industries had been encouraged by the results seen in China, and noted the Vietnamese leadership paid close attention to China's agricultural policy.

Aside from the outward protestations of warmth, China and Vietnam still continue to joust for position in the Spratly archipelago in the South China Sea, where both countries, among others, have conflicting claims, and over the Paracel islands, which China seized from Vietnam in 1974.

S Korean unions threaten strikes

By John Burton in Seoul

South Korea's most militant trade union group yesterday said it would no longer co-operate with the government and employers on labour reform and threatened national strikes.

Officials expressed concern that the action by the Korean Confederation of Trade Unions (KCTU) could disrupt Korea's rapid economic recovery and discourage foreign investment.

The bigger and more moderate Federation of Korean Trade Unions, with 1.2m members, said it might join the KCTU this week in the protest against "one-sided corporate restructuring".

The KCTU, which represents 500,000 workers in such key industries as cars and shipbuilding, said the government of Kim Dae-jung had broken a commitment to protect workers' rights as the big conglomerates restructure.

Unemployment has climbed from less than 3 per cent to nearly 9 per cent in the past year during Korea's worst post-war recession.

The president yesterday warned that "corporate restructuring will cause more mass redundancies in the months ahead".

Richard Wallace, equities head at Dresdner Kleinwort Benson in Seoul, said: "The union's timing is deliberate since it comes on the first anniversary of President Kim's administration."

Unions agreed a year ago to accept redundancies to speed corporate restructuring. But they accuse the big conglomerates, or *chaebol*, of sacking more workers than necessary, while owners escape unpunished for bad investment decisions that triggered the nation's economic crisis.

The KCTU is demanding a reduction of working hours as an alternative to mass redundancies and a stronger social safety net to take care of the unemployed, which soon could reach 2m.

Workers at several companies slated for mergers, including LG Semicon, Samsung Motors and Daewoo Electronics, recently staged strikes to protest threatened job losses and won future employment guarantees.

The KCTU said it would hold a series of rallies before declaring a general strike at the end of March, when annual pay talks begin.

The government has warned it will deal sternly with illegal rallies and strikes, which could prompt violent confrontations.

Now for the hard part, Page 15

NEWS DIGEST

FEARS OF CIVIL WAR

Australia wants contact group for East Timor

Australia yesterday proposed a diplomatic contact group to co-ordinate a response to the rapid changes in East Timor's status, amid growing concern that the territory could slide into civil war if Indonesia suddenly granted independence.

Indonesia, meanwhile, yesterday promised tax incentives for oil companies that explore and develop an oil and gas field off East Timor, just as its offer of independence for the territory raised expectations that a joint production sharing agreement with Australia would need to be renegotiated.

Australia's foreign minister, Alexander Downer, said he had approached the US, European Union, Japan and other countries to form a diplomatic contact group to co-ordinate a response to the rapid changes in East Timor's fortunes, including joint aid projects. Diplomats are increasingly concerned that a sudden departure of Indonesian troops from the territory would spark conflicts between rival Timorese groups and leave it heavily dependent on foreign aid. **Sander Thoenes, Jakarta**

CHINESE ECONOMY

Shift seen in monetary stance

Dai Xianglong, China's central bank governor, has said his country will implement an "appropriate increase" in money supply this year to combat deflation and weak consumer demand.

His statement, reported in the official media yesterday, marked the first time a senior official has used such terminology to describe domestic monetary policy. Until the end of 1998, China was officially following an "appropriately tight" monetary policy. From December last year, this changed to an "appropriate" monetary policy. Yesterday's phraseology appeared to suggest that a further loosening was possible at some time in the future, economists said.

Analysts say the main reason people are loath to increase their spending is that the state is slowly but relentlessly rolling back its socialist-era welfare subsidies for housing, healthcare and education, shifting such costs to private individuals. In addition, the number of jobless has ballooned, prompting many more people to save as much as possible in case they are made redundant. **James Kynge, Beijing**

PHILIPPINE ECONOMY

Call to stem capital inflows

Joseph Estrada, the Philippine president, has expressed support for restraints on short-term capital inflows to prevent a repeat of the Asian economic crisis of the last 18 months. While not explicitly calling for such curbs, Mr Estrada said there was a need to "tame the volatility of short-term capital flows" as part of strengthening the international financial system.

"The fact that so many creditors could pull their money out at short notice was one of the main reasons why the crisis began and spread very fast," he told a conference organised by the Asia Society. "Once the crisis started, the success of any policy response depended much on how the panicky markets reacted." **Tony Tassell, Manila**

SINGAPORE COURT

Politician faces jail

A Singapore court found an opposition politician guilty of speaking in public without a permit for the second time and fined him S$2,500 (US$1,460), which disqualifies Chee Soon Juan from running for parliament for five years.

Mr Chee, head of the Singapore Democratic party, chose to serve 12 days in prison in lieu of the fine. He served a week in jail earlier this month for a similar offence. Mr Chee said the law infringed the right to free speech in the city-state. "I am in a political struggle. I have just spent a week in prison for standing up for my rights," he told the court in his final argument.

The authorities say that there are ample other outlets for Singaporeans to express themselves. **Shaila McNulty, Kuala Lumpur**

Day of reckoning looms as power slips from Nigeria's opulent northern elite

A southerner will become president after Saturday's election following years of domination by northern politicians. William Wallis assesses their dismal legacy

The lawn outside retired civil servant Liman Ciroma's house in the government-reserved residential area of the northern Nigerian city of Kaduna has burnt to a crust. As a gesture of sympathy to thirstier neighbourhoods, Mr Ciroma has switched off the sprinklers.

After 15 years of northern-dominated military rule, and three decades controlling the institutions of federal government, northern Nigeria's leaders have something resembling a guilty conscience.

On the cusp of a democratic dawn which promises a presidency held by the Christian south, they have little to show the population for the powers they have wielded. Living standards have plummeted across the nation – from the savannah bordering the Sahara to the swamps of the Atlantic coast. But contrary to popular belief among the embittered tribes of the south, the statistics show the crisis has bitten hardest in the Hausa-speaking north.

In the crowded, dusty streets of northern cities, drinking water is a rare commodity. If fuel scarcity has recently become every Nigerian's nightmare, for northerners fuel has for years been little more than a virtual reality, tangible only at unaffordable black-market rates. Outside the towns, government health and education facilities have collapsed. Ninety per cent of children in the north-west, the spawning ground for many of Nigeria's post-independence leaders, are born at home. There is more than a one in 10 chance they will die before the age of four.

Even the prestige industrial projects such as the Kaduna oil refinery – built at great cost in the north in an attempt to bring even, nationwide development – have been allowed to collapse. In the meantime, the region's agricultural potential as the granary of Nigeria has been squandered.

For the ordinary people, the control by a northern clique of oil wealth generated in the south, has brought no benefits. "We cannot consider ourselves leaders any more because we are too distant from the people," says Mr Ciroma, who after a long career in public office remains an influential voice. Like many fellow "northerners" however, he bitterly resents the notion that the "north" is largely responsible for the nation's ills.

In the interests of Nigeria's unity, the region's leaders have agreed to cede the presidency this time to a southern candidate. But in doing so they in no way believe they have conceded that their southern counterparts occupy higher moral ground. For one thing, many of the politicians in the north were themselves the victims of military coups.

Second, they point to the rapacity with which southern politicians have participated in the plundering of Nigeria's resources. If you are looking for an ostentatious display of ill-gotten gains, they argue, you cannot beat the coastal commercial capital, Lagos.

While the presidency may be heading south, further

> **For the ordinary people, control by a northern clique of oil wealth created in the south has brought no benefits**

concessions such as the restructuring of the army along regional lines, are fiercely opposed. To ensure they remain so, both the military and civilian leadership in the north have retained a firm grip on what is to come. They are helped by an inbuilt electoral advantage.

The more populous north ensures that politicking among its power brokers is high on the agenda of any aspiring president.

One of the concerns of northerners is that at a time of deep regional divisions, the north has the most to lose. If Nigeria were to split up, it would become landlocked and dependent on potentially hostile southern neighbours.

In a united Nigeria however, the fear of domination by other regions remains as strong in the north as anywhere. Memories linger of how in Nigeria's first coup in 1966, the northern Prime Minister, Tafawa Balewa, together with the regional premier, Ahmadou Bello, were murdered.

While many of the top jobs have been held since by Hausa-speakers, better educated Igbos from the east and Yorubas from the south-west dominate the ranks of the civil service, financial institutions, business and the press, and it is from them that most of Nigeria's population abroad is drawn. In the near future there is little likelihood that this will change.

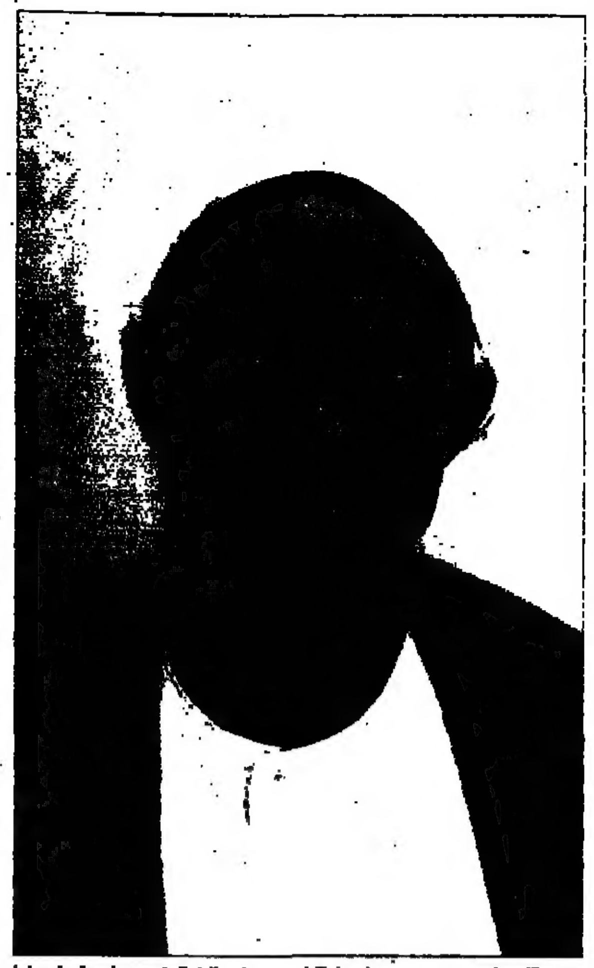
Academics point out that the collapse of the education system in the north has been the result of a deliberate strategy to preserve the feudal nature of its society in the interests of a privileged elite.

This makes it difficult for most northerners to compete on the national job market. Leading historian, Dr Bala Usman, takes the case of Katsina state: "Many of the top elite sent their children to be educated abroad, spending amounts which far exceed the total spent in the state's secondary school system."

Since 1904 when Lord Lugard conquered the Sokoto caliphate and formed a British protectorate out of an assembly of Hausa-Fulani emirates, Islamic culture has provided a useful bedrock for maintaining these kinds of inequities. For a reminder that this may be changing, you do not need to look too far in the cities of Zaria or Kano for a portrait of Ayatollah Khomeni.

Islamic fundamentalists such as the dissident Ibraheem el Zakzaky, who has spent much of the last two decades behind bars, have proved they can pull bigger crowds in or out of jail than any of the politicians parading the electoral stomping grounds of the current transition.

They perhaps represent the most ominous warning to the northern elite, that the time has come to switch off the sprinklers and help quench a wider thirst, or one day risk waking up in the landlocked Islamic Republic of Northern Nigeria.


Islamic fundamentalist Ibraheem el Zakzaky: more crowd-pulling power than the politicians contesting the election

NEWS DIGEST

IRAQ CONFLICT

Baghdad says one dead in US raid near capital

Iraq said yesterday US warplanes attacked targets on the outskirts of Baghdad, killing one person and wounding several others. A military communique said enemy warplanes had approached Baghdad and "tried to reach some targets in it, but were intercepted by our air defences and forced to flee."

The attack, if confirmed, would be the first time sites close to the city have been hit since last December's four-day US and British air raids.

US military officials said warplanes had attacked military targets in the southern no-fly zone, which extends just south of Baghdad, after Iraq sent aircraft into the exclusion area. The Pentagon could not initially confirm if the outskirts of the capital had been hit. It said, however, that the US attacked two Iraqi surface-to-air missile sites in Al Iskandaryah, 30 miles south of Baghdad.

Clashes in the southern and northern no-fly zones, patrolled by the US and Britain, are becoming almost daily events.

■ Iraq has failed to distribute large quantities of medical supplies bought under the oil-for-food programme and $275m worth was in warehouses at the end of January, the United Nations said.

In his latest report on the programme the secretary general, Kofi Annan, expressed concern about long delays in distributing supplies. "This is a matter that requires the urgent attention of the government," he said.
Roula Khalaf and agencies

MAURITIUS ETHNIC CONFLICT

Singer's death sparks riots

Riots in the capital of the Indian Ocean island of Mauritius yesterday forced the city to close for a second day in some of the worst rioting on the island for 30 years. Demonstrators blocked main roads, looted and ransacked police stations and burned at least 200 vehicles, according to police and witnesses.

At least one man has died in the unrest, which has brought to the surface underlying tensions between Creoles and the majority Hindus.

The riots were sparked by the death in police custody on Sunday of local reggae singer Joseph Reginald Topize, or Kaya. He was arrested for smoking marijuana at a rally calling for legalisation of the drug.

Creoles, about 30 per cent of 1.1m population, are the mixed blood descendants of former slaves and are considered an underprivileged community. **Reuters, Port Louis**

Saudis set to reduce weapons purchases

By Alexander Nicoll and Roula Khalaf in London

Saudi Arabia, hit by low oil prices, is expected to make further significant cuts in its spending on foreign military equipment over the next few years, according to economists and industrialists.

Kevin Taecker, chief economist at Saudi American Bank, told a London conference organised by Middle East Economic Digest military spending could be down by \$7bn to \$8bn between 1997 and 2001.

"Foreign defence suppliers see a conscious effort [on the part of Saudi Arabia] to consider priorities and reduce expenditures on things that they provide," he said. Saudi Arabia has been spending between \$15bn and \$20bn a year on defence in recent years.

Military experts said this was unlikely to affect deals already signed. But, as programmes agreed after the 1991 Gulf war come to their natural conclusion, it was probable that the Saudi government would not make huge new orders.

Some analysts estimate the foreign component of defence spending in the budget, which stood at an estimated \$10bn in 1996, could be down to \$2bn in 2000.

A senior British executive familiar with the long-running £20bn Al-Yamamah contract said it was "in a lull at the moment," but insisted it was not in decline and was expected to be maintained as the basis of a long-term relationship.

Though the Saudis did have requirements for more equipment, they were not expected to place new orders while the oil price remained so low. However, he expected the contract would produce "significant business" in the future.

British Aerospace, which will face questions on the contract when it reports its annual results today, said payments from Saudi Arabia under the Al-Yamamah contract had fallen following completion last year of delivery of a batch of 48 Tornado aircraft.

Saudi Arabia makes payments in oil under the programme, signed with the British government in 1985 and 1993. BAe said payments had been cut from 600,000 barrels per day to 400,000.

BAe insisted this had been expected following the delivery of the aircraft and reflected a switch in emphasis towards long-term maintenance and service of delivered equipment. BAe has 5,500 employees in Saudi Arabia to service the contract, which it administers on behalf of the British government.

Prince Sultan bin Abdul Aziz, Saudi defence minister, on Tuesday denied a recent news report that Al-Yamamah had been cancelled.

He said, however, the deal was being "rescheduled". "This is a natural thing, many big nations have rescheduled projects, but there is no freeze on any project in any way."

The UK ministry of defence said both the UK and the Saudi government were committed to delivery of supplies and services under the contract but there had been regular dialogue with the Saudis since 1985 to manage the contract taking into account economic conditions in the kingdom.

Efforts to adopt UN biosafety protocol fail

By Adam Thomson in Cartagena

Talks to adopt a United Nations biosafety protocol to regulate the international trade in genetically modified organisms (GMOs) failed yesterday after 10 days of effort in Cartagena, Colombia.

The result is a setback for 132 countries which, because of a European Union compromise, brokered a last-minute package to salvage the protocol, considered vital to protecting the world's biodiversity from the potentially negative effects of a trade worth billions of dollars a year.

But the US-led Miami Group, a six-member coalition of the main GMO producers including Canada, Argentina and Australia, blocked the package, arguing that the contents represented a serious threat to free trade.

"We wanted a protocol which would protect biodiversity and not harm world trade. But we would rather have no protocol at all than have what we think is a flawed product," said Rafe Pomerance, alternate head of the US delegation.

The Miami Group opposed the draft text of the protocol, which excluded commodities and pharmaceuticals from its scope, as well as the compromise package which proposed to reinstate commodities, in exchange for suppressing a clause subordinating the protocol to existing trade pacts.

Developing nations at the conference, known as the "like-minded group", were incensed at the Miami Group's apparent intransigence.

Early yesterday, exhausted delegates opted for a face-saving mechanism to suspend the Cartagena conference and take it up at a later date under the same name. If the device allows countries to avoid formally admitting failure, the deep rifts separating their positions on the fundamental issues of the protocol, including its scope, trade issues and important technical aspects, are likely to remain.

Developing nations were pushing for a wide-ranging protocol which would protect biodiversity from the potential dangers of all GMOs and their derivative products. They also sought comprehensive liability clauses from producers and the inclusion of an article covering the possible socio-economic impact of GMOs.

The EU saw itself as a mediator, expressing an interest in the application of a precautionary principle to give nations the right to refuse the importation of GMOs if they felt they posed a threat to biodiversity or to human health.

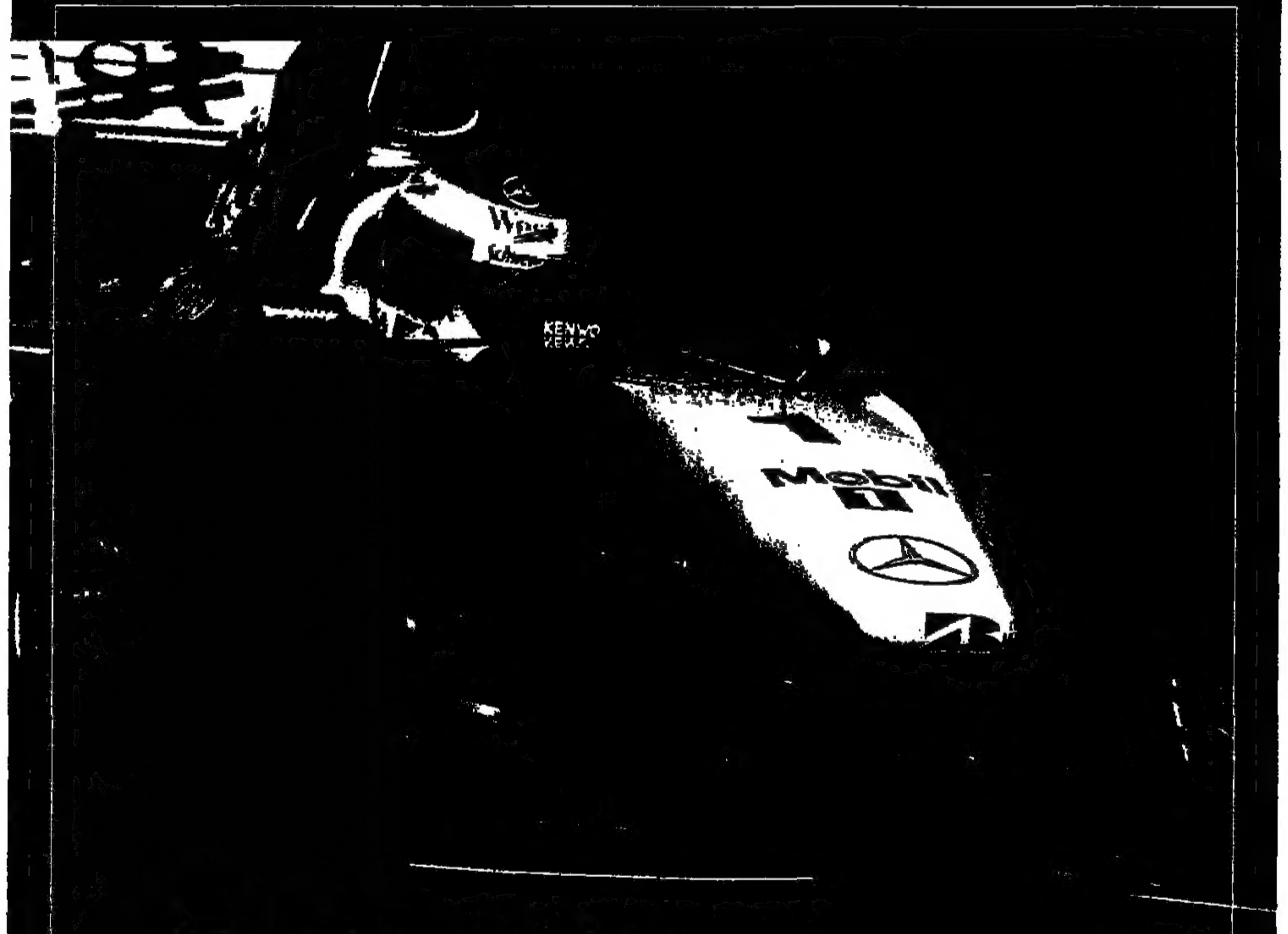
But the EU compromise package was read by the Miami Group, now seen as a new North-South negotiating force, as a ploy for avoiding existing obligations under World Trade Organisation rules.

Ritt Bjerregaard, EU environment commissioner, blamed the US and its allies for the talks breakdown. "They came to the negotiations without any clear will to move forward.

"They wanted an agreement without any genuine environmental credibility. It would have excluded agricultural commodities, resulting in a liberalising of trade without proper protection of developing countries."

Ms Bjerregaard said the negotiations should be relaunched and concluded, with or without the US. Biotechnology trade officials said that suspending the conference was the best alternative, as things were.

Additional reporting by Michael Smith in Brussels



ighbourly relations

Australia wants contact group for East Timor

Shift seen in monetary stance

Call to stem capital inflows

Politician faces jail

What does it take to be a leader in capital raising and advisory?

Industry focus.

At Bank of America, our industry-focused client teams utilize insight to draw upon a full range of capital raising and advisory services to seamlessly deliver creative financial solutions worldwide. Together with NationsBanc Montgomery Securities, we completed more than $940 billion* of debt, equity, and advisory transactions on behalf of our clients in 1998. Our expertise is proven by leadership performance in:

- **Syndicated Finance** – $395.9 billion¥
  #1 agent-only transactions – 919
  #1 agent-only leveraged transactions – 409
  #1 agent-only highly leveraged transactions – 192
- **Financial Sponsor** – $30.4 billion¥
  #1 agent-only volume
  #1 agent-only transactions – 105
- **Debt & Equity Private Placements** – $9.4 billion
  #1 in straight corporate debt private placements§
- **Equity & Convertible Securities** – $28.6 billion
  138 transactions, 39 lead managed
  #2 in number of IPOs**
- **M&A** – $96.5 billion
  123 transactions
- **High Yield** – $34.8 billion
  152 transactions, 33 lead managed
- **High Grade** – $91.6 billion
  477 transactions
- **Asset Backed Securities** – $48.5 billion
  110 transactions
- **Commercial Paper** – $50.0 billion in outstandings
  53 transactions

SELECTED 1998 TRANSACTIONS

AUTOMOTIVE/TRANSPORTATION

Lufthansa Cargo
US$524,500,000
Germany
Lease of 5 MD11 Freighter Aircraft†
Arranger & Investor

Dura Automotive, Inc.
US$402,500,000
Senior Secured Credit Facilities†
Arranger & Administrative Agent

Union Pacific Corporation
US$1,200,000,000
Revolving Credit Facility†
Co-Arranger & Syndication Agent
US$250,000,000
U.S. Leveraged Lease†
Advisor

Metro de Madrid
US$70,000,000
Spain
Leasing Transaction†
Sales Arranger & Equity Investor

HDA Parts System, Inc.
Brentwood Associates
US$75,000,000
Senior Secured Credit Facilities†
Administrative Agent & Arranger
US$100,000,000
Senior Subordinated Notes
Joint Lead Manager

CHEMICALS

Hercules Incorporated
US$3,650,000,000
Senior Credit Facilities†
Lead Arranger

Al-Jubail Petrochemical Company (Kemya)
US$720,000,000
Saudi Arabia
Expansion Financing†
Financial Advisor

The Dow Chemical Company
US$684,000,000
Canadian Cross-Border Leveraged Lease†
Arranger

MacDermid Incorporated
US$350,000,000
Senior Credit Facility†
Arranger

Reliance Group
US$46,000,000
India
Structured Trade Finance†
Sole Provider

COMMUNICATIONS

Ente Publico Radio Television Madrid
Telemadrid
US$150,000,000
Spain
Syndicated Loan Facility†
Arranger, Agent, & Sole Underwriter

Cable & Wireless Communications plc
£250,000,000
United Kingdom
Asset Backed Securitization
Joint Arranger & Structurer
US$1,236,000,000
Debt Tender Offer with Consent Solicitation
Dealer Manager

Telenor
US$230,000,000
Norway
QTE lease of digital switching equipment†
Arranger & Investor

Sonera
US$223,000,000
Finland
QTE lease of digital switching equipment†
Equity Arranger & Investor

Tata Cellular
Tata Communications Limited
US$123,500,000
including $53,500,000 in rupees
India
Project Financing†
Joint Lead Arranger
Administrative Agent
Technical Bank

DIVERSIFIED INDUSTRIES

Globe Manufacturing Co.
Code Hennessy & Simmons LLC
US$170,000,000
Senior Secured Credit Facility†
Arranger & Administrative Agent
US$150,000,000
Sr. Subordinated Notes; Lead Manager
US$100,000,000
Sr. Bridge Commitment; Lead Manager
US$50,000,000
Sr. Discount Notes; Sole Manager

[illegible]
Heritage Partners
US$160,000,000
UK Tender Facility
Sole Agent & Arranger

AmeriSteel Corporation
US$130,000,000
Senior Notes
Sole Manager

Bombardier Capital Inc.
US$350,000,000
Receivables Purchase Facility
Structurer

Newbridge Networks Inc.
US$225,000,000
Canada
Senior Notes
Private Placement Arranger
US$33,288,000
Lease Intended As Securities†
Arranger

ENERGY

InterGen
Coryton Energy Company Limited
£472,000,000
United Kingdom
Project Financing Facility†
Co-Arranger & Underwriter

Occidental Petroleum
US$3,200,000,000
Acquisition Facility†
Syndication Agent

Jorf Lasfar Energy Company
US$1,291,000,000
Morocco
Project Financing
Acquisition, expansion, & operation of a power station in Morocco†
Co-Arranger & Underwriter
Sole Placement Agent for $280 million OPIC guaranteed participation certificate

Ferrellgas
US$350,000,000
Senior Notes
Private Placement Arranger

Monument Oil and Gas plc
£225,000,000
United Kingdom
Multi-Currency Revolving Facility†
Joint Arranger

This announcement appears as a matter of record only.

*Based on full credit to each manager, adjusted for duplication across product categories. ¥Loan Pricing Corporation, agent-only volume. §Securities Data Company. **Excludes units offerings, closed-end funds, ADRs, rights offerings, overallotments, and international tranches – full credit to each manager. Source: Securities Data Company. †Provided through affiliates of BankAmerica Corporation other than NationsBanc Montgomery Securities. Investment banking and securities products provided through NationsBanc Montgomery Securities LLC, member NYSE/NASD/SIPC, a subsidiary of BankAmerica Corporation. Bank of America is the marketing name for BankAmerica Corporation and its affiliates worldwide.

ENTERTAINMENT & MEDIA

MGM Grand, Inc. **US$500,000,000** Investment Grade Public Bonds Lead Manager	Park Place Entertainment, Inc. **US$2,150,000,000** Credit Facility† Agent & Lead Arranger **US$400,000,000** Senior Notes Co-Manager	Fox Entertainment Group, Inc. **US$2,808,000,000** Initial Public Offering Co-Manager	United Artists **US$450,000,000** Credit Facility† Administrative Agent **US$225,000,000** Senior Subordinated Notes Co-Manager	Rank Group plc **£440,000,000** United Kingdom Loan Credit Facility† Arranger

FINANCIAL SERVICES

GE Capital Finance Limited **US$50,000,000** Hong Kong Revolving Credit Facility† Coordinating Arranger & Bookrunner	DemirBank **US$150,000,000** Turkey US Commercial Paper Program† Sole Arranger, Dealer, & Agent	Garanti Bank **US$250,000,000** Turkey US Commercial Paper Program† Sole Arranger, Dealer, & Agent	Finansbank **US$580,000,000** Turkey US Commercial Paper Program† Sole Arranger, Dealer, & Agent	RE Holding Company AB Kohlberg Kravis Roberts & Co. **SF200,000,000** Switzerland Term Loan/Revolving Credit Facilities† Administrative Agent & Joint Arranger

FOOD

China National Cereals, Oils & Foodstuffs Import & Export Corporation **US$200,000,000** People's Republic of China US Commercial Paper Program† Sole Arranger LC Fronting Bank Commercial Paper Dealer Administrative Agent	Komatsu Funding Corporation **US$500,000,000** Equipment Loan Securitization **US$350,000,000** Wholesale Floorplan Securitization Structurer & Arranger	Simplot Canada Limited **US$185,000,000** Cross-Border Leveraged Lease† Arranger & Equity Participant **US$154,824,495** Private Placement Arranger	Perdue Farms, Inc. **US$350,000,000** Senior Credit Facilities† Administrative Agent & Arranger	Case Equipment Loan Trust 1998-A/1998-B **US$614,062,000** Equipment Loan Backed Notes **US$628,875,000** Equipment Loan Backed Notes Co-Manager

HEALTHCARE

HealthSouth Corporation **US$1,750,000,000** Senior Credit Facility† Arranger **US$500,000,000** Convertible Securities Co-Manager **US$500,000,000** Notes Co-Manager	Healthcare Realty Trust, Inc. **US$900,000,000** Has Acquired Capstone Capital Corporation M&A Advisory	Stryker Corporation **US$1,650,000,000** Senior Secured Credit Facilities† Co-Arranger & Administrative Agent	McKesson **US$1,200,000,000** Senior Credit Facility† Administrative Agent **US$300,000,000** Notes Co-Manager	Kaiser Permanente **US$1,500,000,000** Senior Credit Facility† Administrative Agent **US$500,000,000** Tax-Exempt Bond Financing Co-Manager

PROJECT FINANCE

Meizhou Wan Power Project **US$566,391,000** People's Republic of China Project Financing Arranger, Underwriter, & Joint Bookrunner	FertiNitro **US$560,000,000** Venezuela Senior Secured Project Debt Facilities† For a $2.8 million MT/yr ammonia and urea fertilizer plant Lead Arranger & Technical Agent **US$250,000,000** Senior Secured Notes Co-Manager	Tri-Energy **US$430,000,000** Thailand Construction & Term Loan Debt Service Reserve Letter of Credit Interest Rate Swaps† Including political risk insurance from OPIC and MITI for the financing of a 700 MW gas-fired IPP Lead Arranger	Gefyra **ECU800,000,000** Greece Project Financing for design and construction of the Rion Antirion Bridge† Financial Advisor, Arranger, & Underwriter	TranSys **£197,000,000** United Kingdom (LT Prestige Project) PFI Project Financing Facility† to provide the new ticketing and revenue collection system for London Transport Sole Arranger & Underwriter

REAL ESTATE

Fortress Investment Corp. **US$410,000,000** Equity Offering 144A Sole Manager	Brandywine Realty Trust **US$612,000,000** Acquisition of Atlantic American Properties and Assets of Commonwealth Atlantic Properties M&A Advisory	Northstar Capital Investment Corp. **US$322,000,000** Equity Offering 144A Sole Manager	City Team Development Limited **HK$2,300,000,000** Hong Kong Guaranteed by New World Development Company Limited Term Loan Facility† Lead Arranger	Wharf Properties Limited **HK$1,800,000,000** Hong Kong Guaranteed by The Wharf (Holdings) Limited Term Loan Facility† Coordinating Arranger

RETAIL

First North American National Bank Credit Card Master Trust Series 1998-1 **US$600,000,000** Public Asset Backed Securities Lead Underwriter	Saks, Incorporated **US$1,500,000,000** Syndicated Loan Facility† Lead Arranger & Admin. Agent **US$750,000,000** Investment Grade Public Bonds Sr. Co-Manager & Co-Manager **US$220,000,000** Public ABS; Lead Manager **Acquisition** of 15 Dillard's stores; M&A Advisor	The Limited, Inc. **US$1,831,000,000** Has split-off its 84% interest in Abercrombie & Fitch Co. M&A Advisory	Fred Meyer **US$4,000,000,000** Senior Secured Credit Facilities† Documentation Agent **US$1,750,000,000** 3 Tranche Senior Notes Co-Manager	Blue Rhino **US$40,365,000** Initial Public Offering Co-Manager

TECHNOLOGY

Amdocs Welsh, Carson, Anderson & Stowe **US$250,000,000** Leveraged Syndication† **US$110,000,000** IPO Refinancing Agent & Arranger **US$252,000,000** Initial Public Offering Co-Manager	Macronix International Co., Ltd. **US$200,000,000** Taiwan Credit Enhancement Facility† to backup a Convertible Bond Coordinating Arranger **US$150,000,000** Euroconvertible Bond† Joint Lead Manager	Cisco Systems **US$415,000,000** Syndicated Lease Facility† Advisor & Arranger	Tech Data Corporation **Acquisition of C2000** M&A Advisory	Silicon Graphics, Inc. **US$88,550,000** IPO of MIPS Subsidiary Co-Manager

Bank of America.

SINGLE CURRENCY BLAIR REBUFFS OPPOSITION JIBE ABOUT MANAGING EXCHANGE RATE BEFORE ENTRY

Blair rules out shadowing euro

By Robert Peston, Political Editor

The UK will not adopt a policy of shadowing the euro as a precursor to participation in European monetary union, Tony Blair, the prime minister, insisted yesterday.

He rebuffed attempts by William Hague, leader of the opposition Conservative party, to force an admission from him in the House of Commons that there would be a significant obstacle to British membership of the euro-zone unless it attempted to control sterling's rate against the euro for two years.

Mr Hague alleged the prime minister had consistently sidestepped whether he was going to manage the exchange rate "every time you were asked it" on the previous day. Mr Blair responded: "I certainly did answer it – I said 'No'."

Many MPs said, however, that Mr Blair had not made his position clear on this contentious issue on Tuesday, when he made his statement of intent to join the euro, subject to a set of economic conditions.

"I very much welcome the fact he has now ruled out any attempt to shadow the euro," said a Labour MP.

However, many economists and politicians believe the Treasury will have to adjust the Bank of England's inflation target by adding an exchange rate target. They say this is the only way to interpret the requirement for the exchange rate of an applicant to the euro-zone to be stable for two years before accession.

Mr Blair said there was "no obligation upon us to do it". The Treasury is confident its twin-track approach of providing fiscal and monetary stability should prevent wild fluctuations in the value of the pound, so long as "financial markets are behaving rationally", according to one official.

Ministers are confident that if the UK applies to join the euro-zone, there will be scope for negotiation over the exchange rate stability condition. Gordon Brown, chief finance minister, is mindful of the damage done to the economy in the 1980s by a covert policy of shadowing the D-Mark in the run-up to sterling joining the European exchange rate mechanism.

But businessmen and trade unionists complain Mr Brown does not yet have a convincing plan to prevent sterling going into the euro at too high a rate. They fear British industry would be damaged if the UK joined the European Monetary Union at around the current euro rate of £0.6851 ($1.10).

The Treasury said it would not recommend UK membership if the rate at which sterling is eventually pegged to the euro was too high.

Inquiry into race murder exposes society's divisions

A report into the investigation of the killing found racism in the police, education system and other public services. **Deborah Hargreaves** reports

The racist murder of an 18-year-old black student in south London six years ago may be remembered as a watershed for race relations in the UK.

The unprovoked attack on Stephen Lawrence, the bungled police investigation and the absence of any convictions for the crime have become a source of shame for many Britons. An inquiry into the police handling of the murder published its report yesterday, revealing layers of racism in British society.

The report – by a 72-year old retired judge – found "institutional racism" in the Metropolitan Police, the force that covers all of London except the City. It also pointed to racism in other sectors of society, including agencies that deal with housing and education.

The Lawrence inquiry has exposed some of the divisions within British society, which has often prided itself on relative racial harmony.

Immigrants from south Asia, Africa and the Caribbean arrived in substantial numbers after the second world war, encouraged by successive governments seeking to overcome severe labour shortages.

The most recent figures show 3m – 3.5 per cent – of Britain's 56m population class themselves as non-white. Half of them are of south Asian descent – mainly Indian, Pakistani and Bangladeshi – and 30 per cent are black.

Nearly half of Britain's non-white population – 45 per cent – lives in Greater London, compared with 10 per cent of whites.

Race relations are not as polarised as in many other countries and there is a significant degree of social mixing, especially in London. Real segregation and ghettoes are rare, unlike in France, Germany and the US.

Half of all British-born Afro-Caribbean men who cohabit have a white partner and so do a third of Afro-Caribbean women. In the US only 2 per cent of marriages are between blacks and whites.

Large scale race riots are rare and the last serious incidents broke out in 1981 on the streets of crowded inner-city districts such as Brixton in south London and Toxteth in Liverpool, in north-west England.

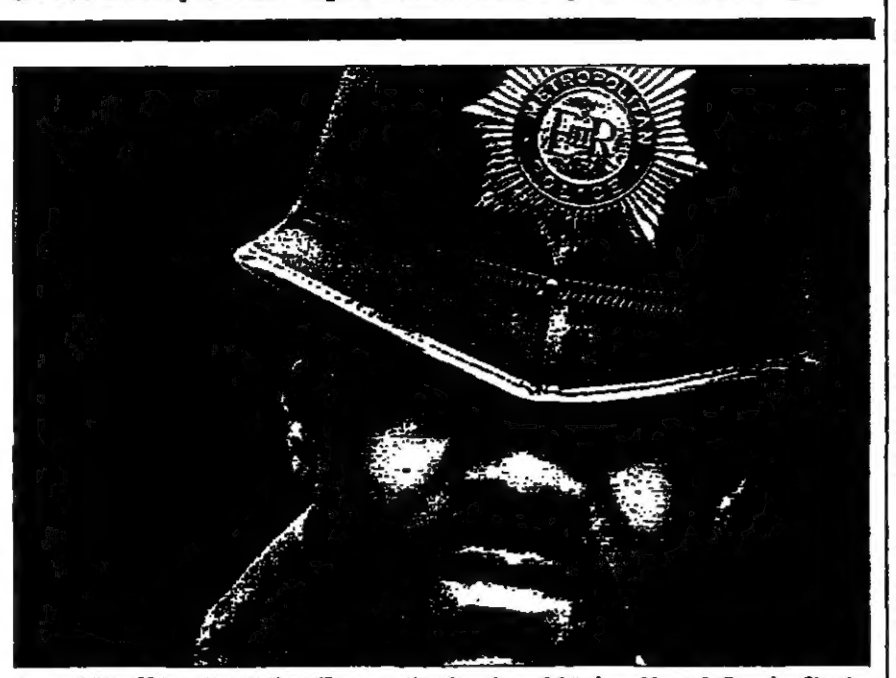
But the reporting of racial harassment and violence – and race-related complaints against the police – is rising. "There is a certain amount of racial terror," said Professor Tariq Madood of Bristol University, who wrote a report on ethnic minorities in Britain.

Prof Madood believes the situation is improving. "There is much more commitment and much less hostility to the idea that we are a multicultural society, certainly compared with France and Germany," he says.

But recommendations made by Lord Scarman in a report that followed the Brixton riots seem to have had little impact. Yesterday's report said "at present the confidence and trust of the minority ethnic communities is at a low ebb".

It makes 70 recommendations, including ways of tackling racial awareness by amending the national education curriculum to place more value on cultural diversity.

Its recommendations are sweeping and damning. It is plainly aimed at breaking the police "canteen culture" and tackling not just the overt racism it found in some officers but also the "unwitting prejudice, ignorance, thoughtlessness and racist stereotyping". It says racist behaviour is found "in other police services and other institutions countrywide".



A rare sight: a Metropolitan Police officer guarding the prime minister's residence in Downing Street, London, yesterday. Only about 3 per cent of the force comes from ethnic minorities Reuters

The murder of Stephen Lawrence: a long legal tangle

1993 April Black student Stephen Lawrence, 18, stabbed to death by white youths as he waits for a bus in south-east London suburb of Eltham; attackers are identified to police

1993 July Murder charges against two youths dropped after the Crown Prosecution Service says there is insufficient evidence

1994 Lawrence family launches unsuccessful private prosecution against five youths including the two charged in 1993

1995 Charges against two more of the five dropped because of insufficient evidence

1996 Family's civil case against white youths collapses

1997 Feb Inquest jury returns verdict that Lawrence was unlawfully killed in racist attack by five youths; Daily Mail calls the five "murderers" on its front page and challenges them to sue. They have not done so

1997 July Three months after coming to power Labour government announces public inquiry to be headed by retired judge Sir William Macpherson of Cluny

1998 June The five accused are forced to appear before the hearing, but avoid giving straight answers to questions

1998 Oct Metropolitan Police Commissioner Sir Paul Condon denies that his force is racist

1999 Feb Leak of Macpherson report says it will identify "institutional racism" among London police; Condon refuses to quit

The government will set targets for the recruitment, retention and advancement of police officers from ethnic minorities. One criticism of the Metropolitan Police is that the force does not reflect the overall composition of the capital, where 25 per cent of the population is black or Asian but only 3 per cent of officers are from ethnic minorities. Britain's 125,000 police officers include only 2,500 from ethnic minority backgrounds.

The report's implications for the police are enormous. Racist words or acts will be disciplinary matters and should "usually merit dismissal".

Officers will be subject to performance indicators that will include achieving "equal satisfaction" from all ethnic groups. Police forces generally will be inspected more intensely for wrong-doing. The police and public services will be subject to the Race Relations Act.

Company law review to re-open debate on stakeholders

By Jane Martinson, Investment Correspondent

A sweeping government review of company law in the UK is set to reopen the debate about the relationship between business, shareholders and the wider community.

The 200-page consultation paper compiled by a high-level steering group is understood to put greater emphasis on the needs of "stakeholders" alongside shareholders.

One issue implied in the report is whether the so-called "stakeholder statutes" in the US could be introduced in the UK. These could give directors legal backing in opposing the closure of a factory on the grounds of welfare economics.

Although no recommendations will be made until the end of the year, the report will surprise many in the business community by reviving the stakeholder debate, which many thought had been buried.

The government's own response to the discussion document is likely to test its relationship with business. Key government ministers have used the term stakeholder in recent months, after a period during which it appeared less than popular.

The scope of the stakeholder questions suggests that the government – as well as the committee – believes that last year's Hampel report on corporate governance did not go far enough in debating the issue.

But one member of the 12-strong steering group said: "You can't do a root and branch company law review without answering a few fundamental overarching issues such as who a company is actually run for."

Other committee members admitted that the discussion was likely to prompt a host of queries about the practical implications of introducing a stakeholder model of corporate behaviour.

One would be how to define and monitor director responsibilities. One suggested option would be for directors to sign up to a non-statutory code of conduct which would commit them to taking account of all stakeholders. By cutting through red tape the government aims to encourage competitiveness.

A policy paper on company law proposals is not expected until 2001.

NEWS DIGEST

THE COURTS

Businessman laundered £70m of crime proceeds

A London businessman was convicted yesterday of running a complex money-laundering operation which handled £70m in less than three years. Ussama El-Kurd, owner of a legitimate bureau de change in the Notting Hill district of west London, used the basement as a counting house for sterling sent for laundering by British criminals, the court heard. Bundles of up to £500,000 were exchanged for "clean" Dutch, Swiss and Spanish currency at a branch of the Thomas Cook travel agency and a couple of banks. The jury spent six days considering five and a half months of evidence and also convicted El-Kurd of a related offence of attempting to remove criminal proceeds worth £250,000 from the UK. He will be sentenced today. He was cleared on claims that the cash represented the proceeds of drug trafficking.

The jury heard that Customs officers spent 22 months watching as tens of millions of pounds in English, Scottish, Northern Ireland and Isle of Man notes were "cleaned" with El-Kurd's help. A prosecutor said the bureau de change became a "safe haven" for criminals' cash. At one stage a nearby branch of Barclays Bank was providing him with £1.6m worth of non-UK currency a month.

SHARE ISSUE UNDERWRITING

Government backs report

UK vs US underwriting fees
(% of gross proceeds)

	UK*	US**
Up to £10m	5.1	5.7
£10m to £50m	3.8	5.3
£50m to £100m	2.9	4.7
Over £100m	2.5	3.8

* Based on 117 issues between 1995 and 1997 ** Based on 763 issues in 1997
Source: MMC Securities Data Corporation

The government yesterday backed a report on underwriting share issues which stopped short of recommending big changes to the dominant system of raising capital in the UK. The report by the Monopolies and Mergers Commission made several recommendations designed to encourage a trend towards greater competition. They come nine months after the MMC found evidence of a complex monopoly in the supply of lead underwriting and sub-underwriting in the UK, where standard fees of 2 per cent are charged in more than 25 per cent of cases. Over the past year supporters of the existing system, such as UK investment banks and institutional shareholders have argued that it was already changing through the introduction of more tendering and other competitive practices. The MMC gave implicit support to this view yesterday when it said: "We felt that we didn't need to do anything drastic as it was already happening. However, we did want to make sure there was no backsliding."

A key part of this support is the recommendation that the London Stock Exchange amend its listing rules to force directors to explain themselves to shareholders if less than two-thirds of the sub-underwriting of a share issue is put out to tender. Stephen Byers, chief trade minister, said these recommendations "should have the benefit of encouraging recent market reforms to become more generalised". The National Association of Pension Funds called the report a "pragmatic response to market innovation". **Jane Martinson, London**

INSOLVENCY REGULATION

Outsiders to get oversight role

Liquidators, receivers and administrators will come under a new self-regulatory body with a majority of members from outside the profession involved, under radical plans to be considered by Stephen Byers, chief trade minister. The new "stakeholder" body – a form of arm's length self-regulation – is designed to give the public more confidence in the UK's 1,800 licensed insolvency practitioners, who now operate under eight oversight bodies. The recommendations of the Insolvency Regulation Working Party also include measures to crack down on "cowboy" debt advisers and limit the designation of insolvency practitioners to those authorised under the 1986 Insolvency Act. The blueprint mirrors that suggested by the government for the accountancy profession and signals that ministers see the imposition of majorities of outsiders in such schemes is critical to protecting the public interest. **Jim Kelly, London**

ENERGY

Former regulator leaves Enron

Clare Spottiswoode, UK gas industry regulator until October last year, is leaving Enron less than six months after she joined the US energy group to help develop its global water interests. Ms Spottiswoode will next month join PA Consulting Group, the London-based management and technology consultants, where she will be responsible for developing the group's growing continental European utilities interests, particularly in the energy sector. Ms Spottiswoode will continue to be available to work for Azurix, the water division of Enron which last year paid £1.36bn for Wessex Water, an English privatised water supplier. There were suggestions Ms Spottiswoode might have felt constrained working under Rebecca Mark, Azurix's Texan chairman and chief executive, who, like the former regulator, is a strong character. **Andrew Taylor, London**

ROYAL ORDNANCE

MPs plead for Scottish factory

The chairman of the House of Commons defence committee yesterday urged ministers to take steps to keep open a Royal Ordnance ammunition factory in Scotland. Royal Ordnance is an offshoot of British Aerospace. The MPs questioned Lord Gilbert, minister for defence procurement, over a decision to award a £100m ($163m) contract for propellant to the Somchem offshoot of Denel, the South African arms maker. The decision prompted British Aerospace to announce the closure of the factory. The move will leave Britain dependent on suppliers in other countries. **Alexander Nicoll, London**

Cellnet to offer mobile net link

By Alan Cane in London

Cellnet is planning to become the first UK cellular operator to offer access to the internet over a mobile phone network.

The group, in which the privatised British Telecommunications has a majority stake, said it had created an internet service provider – Genie Internet – to manage the business, to be launched in March.

Peter Erskine, Cellnet managing director, said yesterday that a huge business opportunity had emerged from the convergence of mobile telephony and the internet.

"Cellnet is in prime position to take advantage of the opportunity as we will be able to create a profitable service provider in its own right," he said, adding that it would be "like having the internet in your pocket".

Cellnet intends to launch the product in conjunction with its pre-paid service U, aimed at the youth market.

A CD-ROM disc will be supplied free with all U mobile phones from March which subscribers will be able to use to set up the service in their personal computers.

Genie Internet will offer a free internet subscription, free electronic mail and 10 megabytes of free web space.

The service is a development of Genie, a mobile phone information service launched 18 months ago which, according to Mr Erskine, has 100,000 customers.

Mr Erskine said he expected the strong growth seen in the UK mobile market last year to continue with a total of about 14.5m subscribers across all four operators by March this year.

He expected the total to grow to 23m in the following 12 months.

Omagh suspect appears in court

PA News Reporters in Dublin and Belfast

The first person to be charged in connection with the Omagh bombing in Northern Ireland last year appeared yesterday before the Special Criminal Court in Dublin in the Republic of Ireland.

Colm Murphy, 48, was charged with conspiracy to cause explosions in August 1998 and with membership of an illegal organisation calling itself the Irish Republican Army.

The bomb, which exploded last August, killed 29 people and injured more than 300. Mr Murphy of Ravensdale, close to the Irish border in County Louth, was remanded in custody after a five-minute court hearing.

Mr Murphy, a builder, was one of seven men arrested by police in the Irish Republic in the past five days. He said nothing in court yesterday.

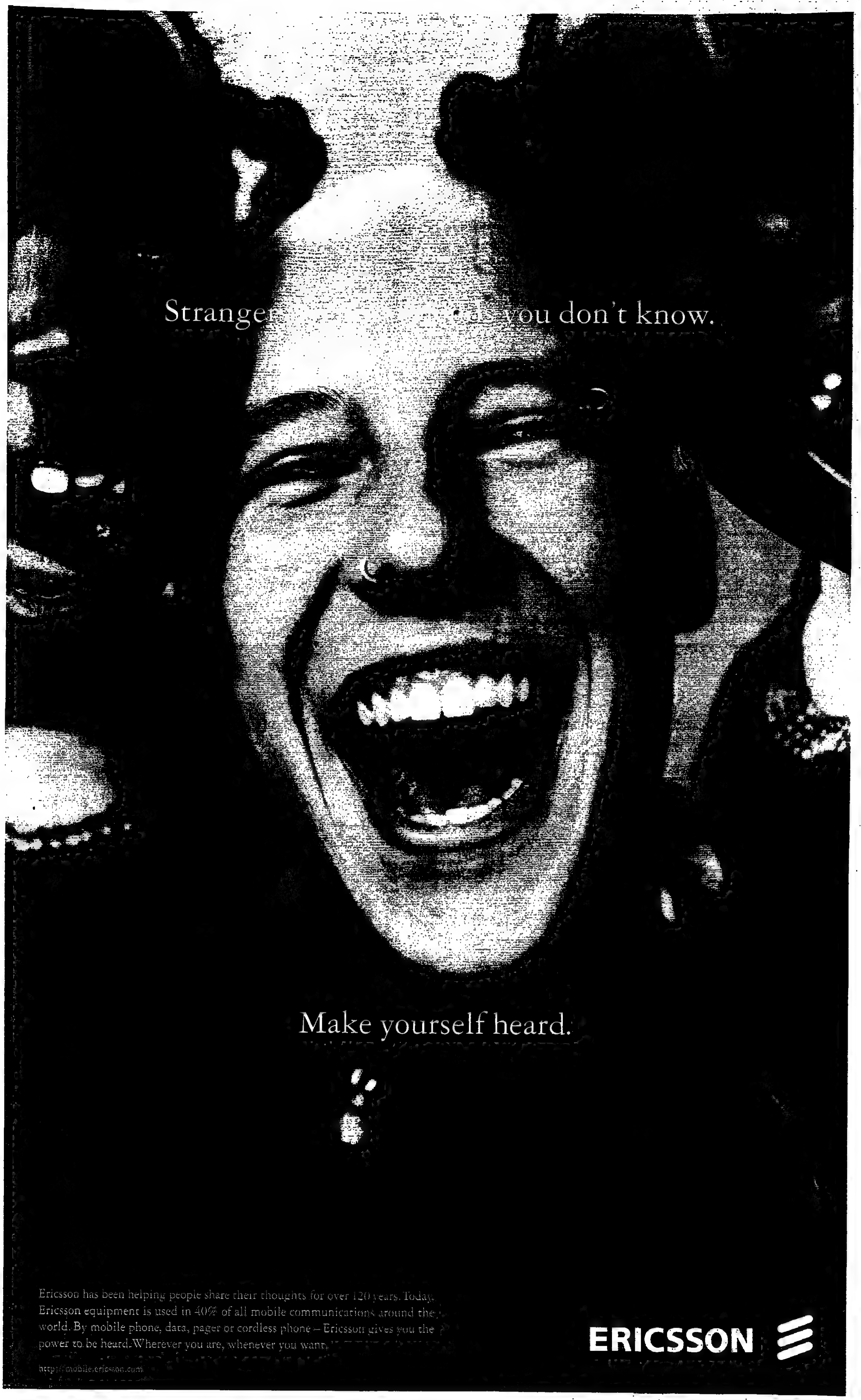
Three men are still being held by Irish police investigating the bombing, and two are in custody in Northern Ireland. Northern Ireland police released four other suspects without charge on Tuesday night.

● The Red Hand Defenders, an anti-nationalist paramilitary group that rejected the Northern Ireland peace deal, yesterday claimed responsibility for hurling a bomb across the "peace line" in Belfast, the region's capital.

It was thrown into the home of a Roman Catholic family where five children were playing. Nobody was hurt but 20 homes were evacuated while British soldiers defused the bomb.

Billy Hutchinson, a senior figure in the Progressive Unionist Party, said: "Acts like this will not secure the union [of Great Britain and Northern Ireland], and I would call on all loyalists to make sure these people do not get any support from the community. People should ignore them."

Meanwhile a 31 year-old woman in the Northern Ireland village of Bessbrook near the border with the Republic was recovering yesterday after an attack by eight men in which a written death threat to a male relative was carved into her arms and legs with a knife.


Strange
you don't know.
Make yourself heard.
Ericsson has been helping people share their thoughts for over 120 years. Today, Ericsson equipment is used in 40% of all mobile communications around the world. By mobile phone, data, pager or cordless phone – Ericsson gives you the power to be heard. Wherever you are, whenever you want.
http://mobile.ericsson.com
ERICSSON

Mean machining: Andrea Mattarelli brought ideas from beyond the engineering world to help cut costs and step up output at Mandelli

INTERVIEW ANDREA MATTARELLI OF MANDELLI

Outsider engineers a new approach

An Italian venture capitalist tells **Peter Marsh** how he overturned industry conventions to put a lossmaking machine tool manufacturer back on track

It is an unlikely statement for the boss of one of Europe's leading machine tool manufacturers to make: "I can't fix anything technically and if you ask me what goes on inside an engine I wouldn't know."

But Andrea Mattarelli, chief executive of Mandelli, is even more frank when discussing the Italian company's profitability: "It's not fair that we should be making a profit. We are still so disorganised, we should be losing money."

Mr Mattarelli, who is 38 and has degrees in finance and business administration, first came into contact with the industry while managing a venture capital fund in Italy in the early 1990s.

His background is unusual among leaders of the world's $40bn-a-year machine tool industry. The industry is highly technically driven, and most companies are run by men with a lifetime's experience in the business who make little effort to bring in ideas from other sectors. As a result, management attitudes in the industry are characterised by extreme caution and conservatism.

Mr Mattarelli took over as chief executive of Mandelli in 1996, at the same time buying a sizeable stake. The company, which was then making a loss, is one of the grand names of the Italian machine tool industry but hit big financial problems at the start of this decade.

Today Mr Mattarelli owns 30 per cent of the company, with other private investors holding the rest. Losses of roughly L6bn ($3.48m) in 1996 on annual sales of L80bn were turned around last year to a pre-tax profit of some L6bn on sales of L112bn, of which 60 per cent was accounted for by exports.

"This is not enough," says Mr Mattarelli. "For a turnover of this size I am aiming for profits of L10bn to L12bn."

He says most companies in the industry are too "product-centred" and do not think enough about new ideas that could improve their products from the customer's point of view. Applying these kinds of principles should, he thinks, improve profits at Mandelli to a more acceptable level.

The company, which started in the 1930s, has a strong position internationally as one of a handful of manufacturers that can produce the very large machining centres, costing up to $1.3m, used to shape intricate parts in a variety of engineering fields.

When he started at the company Mr Mattarelli spent roughly half his first year visiting Mandelli customers in Germany, China, Britain, Italy and the US.

"The customers told me our machines were extremely good on a technical level. When they are running, they work wonderfully well. It was stupid things around the machines, such as the guarding [safety shields] and making sure the machines were delivered on time, that the customers were unhappy about."

Part of Mr Mattarelli's response to this was to hire a senior manager from the property development industry as a "customer care" officer. His job was to make sure customers were happy with the service they got

'It was stupid things around the machines that the customers were unhappy about'

from Mandelli – the machine they are delivered, the service they received in terms of maintenance contracts, and spare parts provision.

He also recruited a director of research and development and another to manage manufacturing. Mr Mattarelli is doing the job of sales director himself – but is looking for someone to take over this role, either from inside or outside the industry.

Since Mr Mattarelli's arrival, Mandelli has spent roughly L10bn on developing a new family of machines and a similar amount on capital investment – far more than it spent during the first half of the 1990s.

It has also replaced around 80 workers, leaving the workforce at the same level as two years ago, at around 330. "We have deliberately gone for younger and more flexible people to replace the older ones who were more set in their ways and who have left," says Mr Mattarelli.

Some of the changes to the manufacturing operation have speeded the flow of components through the company, so that today Mandelli shifts its entire inventory in about four months – about half the time it took two years ago. Mr Mattarelli wants to bring this time down to less than two months by the end of next year, thus releasing more cash tied up in stock.

From the time when he started at Mandelli, Mr Mattarelli was keen to challenge accepted wisdom in the industry. That happened, for instance, when he was reallocating space at one of Mandelli's plants in Piazenza, where the company is based.

The conventional way to build machines at the plant was to leave a relatively small amount of space for assembly, bringing parts from a warehouse immediately before fitting. Mr Mattarelli's idea was to transfer the warehouse space to the factory floor – storing the components in the assembly area ready for fitting.

"We opted for 30-50 per cent more space per machine than would have been allocated normally. Everyone said I was being wasteful, but I have found that we can do the assembly operation more efficiently and flexibly using this procedure."

A big question now is whether Mr Mattarelli will remain long at the helm of Mandelli, or whether he will decide to move on to a new challenge. He answers this question elliptically: "It all depends how successful I am in the next two or three years."

GROWING BUSINESS VENTURE CAPITAL

Contrasting approaches across the Atlantic divide

Katharine Campbell on how one company's search for finance turned up a comparison between UK and US investors

It was the summer of 1997 and Mike Sherratt, chief executive of Armstrong Laing, a specialist accountancy software company, was looking for a venture capital investor.

The business, founded in 1990, had been entirely self-financing, including the establishment of a base in Atlanta. "But we were finding the US a very expensive place to do business. We decided we could either continue to dabble, or really go for it," he says.

He went to several seminars, where everyone told him how impossible it was to raise venture capital – "though people did also say that once you got one [venture capitalist], the rest follow like sheep."

He had not even begun the search, however, when the phone rang. It was Geocapital, a US specialist investor in information technology. He was astonished at how the firm had tracked down a tiny Cheshire company and already seemed to know it wanted to invest several million dollars.

"They had done a huge amount of due diligence. They had investigated the marketplace, assessed the players, talked to users, and decided they wanted to get involved."

Armstrong Laing's niche is activity based costing and management software – providing companies with tools for analysing costs and hence making detailed breakdowns of profitability.

Kimberly Eads, a partner at Geocapital, says she had heard about ABC Technologies, the principal US competitor. "I thought to myself, 'This market looks pretty interesting. Let's see who else is doing it'". She had picked up the phone to Armstrong Laing and had been pleased to arrange a meeting within a week.

Through his advisers Mr Sherratt then got in touch with 3i, the UK's largest venture capitalist. All of a sudden he had two offers – and what was to prove an interesting comparison between the habits of US and UK venture investors. "It was very close between them. But our biggest individual market was going to be the US. Geocapital had a lot of experience and contacts.

That's why they won the deal, it was nothing to do with personalities." Geocapital invested $5m for an undisclosed minority stake in December 1997, principally to finance the building of a US-wide sales team.

UK venture capitalists have experienced very little competition from US counterparts in their own back yard, so 3i was a bit dismayed. Jim Martin, director of technology investment, recalls: "I thought 'oh no is this going to be happening all the time now?'"

However, there was a second chance. In March last year, Mr Sherratt got back in touch with Richard Young in 3i's Manchester office. Co-founder Graham Wood might be on the way out – he left last June – and might need to place his shares, he explained.

Mr Wood, an accountant and quasi finance director had become European managing director. But the very rapid growth in the business had caused tensions. Geocapital started to ask questions. "You often find the additional scrutiny from institutional investors exposes weaknesses," says Mr Young.

Initially Mr Sherratt had been after 3i's advice, but then it became clear there was an opportunity to invest – and not just to buy out Mr Wood.

Building the US operation was taking longer and proving more costly than expected and the company needed more cash – having turned down an extra $2m Geocapital had initially wanted to invest.

It was a year of considerable upheaval, and Mr Young says it is "astonishing" the business still managed 40 per cent sales growth.

3i spent months satisfying itself with the numbers – a very different approach from that of Geocapital – and has just invested £2.3m, for 18 per cent of the business, with the Americans putting in another $1.5m.

"Unlike us, Geocapital did no external accounting due diligence," says Mr Young. "They were all about the market's potential and what the business was worth as a multiple of sales.

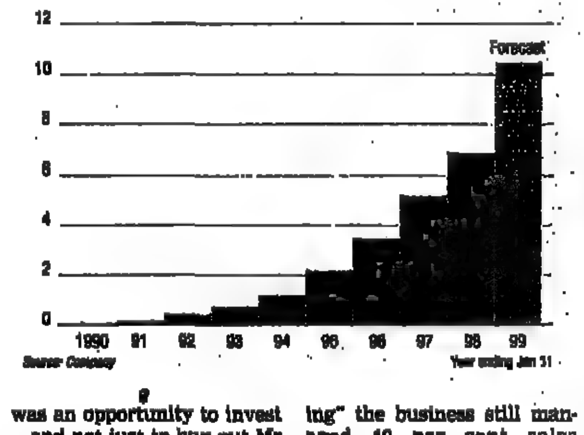
The English like technology that comes with a profit." Armstrong Laing is roughly breaking even in the UK, and there are hopes the US operation will turn a profit in the second quarter.

Investment aftercare differs too. Whereas Ms Eads has become a non-executive director, Mr Young – in keeping with 3i's practice – has not. "I was surprised, that was new to me," Ms Eads confesses, but she says the lack of board presence does not stop 3i from being "very involved".

The two work together well. "3i is far more in touch with the underlying care of the organisation, finance and administration," says Mr Sherratt.

Geocapital, meanwhile, has the detailed knowledge of market developments, and has advised on partnerships. It has also helped the company keep its nerve with the big leap into the US.

Armstrong Laing: enticing for investors



Source: Company

Transatlantic investment: THE BACKERS Kimberly Eads (left) of US venture capitalists Geocapital and Richard Young (far right) of 3i Manchester, England. THE COMPANY Armstrong Laing's Tony Braniff (centre left) and Mike Sherratt demonstrate their software

TECHNOLOGY WORTH WATCHING

Shifting patterns of light for night workers

Anyone who has worked a night shift will be familiar with the lethargy, tiredness and feelings akin to jet lag as the body struggles to adjust to a nocturnal existence.

But help may be at hand, *writes Simon Hadlington.*

Research by psychologists at the University of Leeds is adding weight to the idea that extremely bright lights in the workplace can help workers adapt more smoothly to working through the night.

"We know that light is a powerful influence on the body clock," says Lawrence Smith, who leads the shiftwork and safety research group at Leeds. "We have been working with power generation companies to see if controlled levels of high illumination can help minimise some of the problems that shiftworkers encounter."

Dr Smith's team set up a series of simulated night shifts, illuminating the environment in a variety of ways. For some shifts individual work areas were lit up with levels of light around five times higher than normal office lighting. In other experiments the mess area was highly illuminated, giving workers the opportunity to take a "light bath" during breaks.

The researchers found that by carefully controlling when the light is delivered and for how long, workers appeared to acclimatise more quickly to the shift and to feel better through the night.

"We have used various psychological measures of alertness and we find that those workers receiving high light doses remain far more alert throughout the shift than workers in similar conditions but receiving normal amounts of light," says Dr Smith.

He has also developed a software program that shift managers can use to help them decide which shift pattern will have the least impact on workers' well-being and social lives.

Many factors can be taken into account to derive the best rota, says Dr Smith.

The software tool, called Shiftcheck, is being marketed by the university's commercial arm, University of Leeds Innovations.

The shift manager keys in the start and finish times of each shift for an entire shift cycle, say 28 days. The system then asks for additional information such as the frequency and duration of breaks and the predictability of the shift.

The program then assigns the shift a score, based on its potential "disruptiveness" to the employee, and, ultimately, the employer. The operator has the option of viewing a full report of the computer's analysis of the shift, together with suggestions and pointers about how it might be improved. For example, the program might highlight long blocks of successive night shifts as a disruptive feature of the rota.

Chief Inspector Sue Woolfenden, head of Merseyside Police's work scheduling, has used Shiftcheck to help select shift patterns.

"With Shiftcheck we were able to assess the effect of each shift pattern on the officers and were able to select the 'healthiest' option," she says.

"I think it is a very good tool for balancing the needs of the organisation with the needs of the individual, and demonstrating that you are giving some thought to the welfare of the people working for you."

University of Leeds Innovations: tel 01332 333444; Lawrence Smith: tel 01132 335726

IN BRIEF

DNA project aimed at water testing

A five-year project to develop a DNA chip that can screen for water contamination has been started by two French companies.

The device, which will detect micro-organisms by matching genetic "fingerprints", is expected to cut water testing from 48 hours to four hours.

The GeneChip arrays were originally developed by Affymetrix, a US biotechnology company, for applications including bacterial identification, virology, food and cosmetic testing.

Further research to develop the water quality application is being carried out by bioMérieux, a diagnostics business and Lyonnaise des Eaux, the French water company.

The chips have short DNA sequences bound chemically to a slice of glass or silicon.

They identify fragments of DNA in a sample through "hybridisation" - the intertwining of single strands of DNA to form the famous double helix molecule.

Lyonnaise des Eaux: France, tel 146954887; www.suez-lyonnaise-eaux.com

Making plans on the move

A pocket-sized journey planner that will allow travellers to plan their itineraries on the move has been designed by the Fraunhofer Institute for Software and Systems in Germany.

The device relies on a mobile phone with a modem, with the 3Com PalmPilot, a personal digital assistant.

The mobile phone is used to call up the internet; the information then appears on the personal digital assistant's screen display.

The data is obtained from specialist servers set up by transport operators and open-access world wide web servers.

The system willprovide travellers with advance warning of delays, because it would allow companies to alert them to unexpected changes to their timetables.

Fraunhofer Institute for Software and Systems: Germany, tel 3024306494; http://www.trip.organan.net

Muscle power for space robot

Nasa, the US space agency, is building a robotic space explorer with artificial muscles capable of grabbing and lifting loads.

The muscles – also known as electroactive polymers – are made from a lightweight strip of highly flexible plastic that bends when an electric voltage is applied to it.

The technology is to be used as miniature wipers to clear dust off the viewing windows of optical and infrared instruments on an asteroid mission that is due to be launched by the Japanese Space Agency in 2002.

It could also be used to develop insect-like robots that emulate biological creatures, and eventually might even be able to replace damaged human muscles.

Nasa: http://www.jpl.nasa.gov/facts/muses.pdf

Biomaterial may replace arteries

The Georgia Institute of Technology has developed a "biomaterial" that could be used to replace arteries or knee cartilage.

It may also serve as a nerve guide that would speed up the repair of damaged nerves. The material is a hydrogel called Salubria. It is a polymer with a high water content, making it biocompatible with body tissue.

Other advantages include mechanical strength and elasticity. Platelets do not stick to it in significant quantities, reducing the chance of blood clots.

The researchers, who have secured funding for a start-up company, are beginning the five-to-seven year process of obtaining approval from the Food and Drug Administration.

Georgia Institute of Technology: US, tel 4048942214; e-mail jane.sanders@edi.gatech.edu

Vanessa Houlder

Shifting patterns of light for night workers

DNA project aimed at water testing

Muscle power for space robot

Bi-material may replace arteries

Making plans on the move

THE ARTS

CINEMA

Great film, shame about the script

'The Thin Red Line' could have been made by God, but he certainly didn't write the dialogue, says **Nigel Andrews**

THE THIN RED LINE
Terrence Malick

YOU'VE GOT MAIL
Nora Ephron

TITANIC TOWN
Roger Michell

PAINTED ANGELS
Jon Sanders

Make a wish often enough, as the parents found in that deathless horror tale *The Monkey's Paw*, and it may come grimly true. Instead of the living son they long for they open the door to an ambulant corpse, still mangled from the accident that killed him.

Filmgoers getting director Terrence Malick back in *The Thin Red Line* might also wonder if they prayed the right prayer. The shy genius who fled the limelight after making two back-to-back cultworks, *Badlands* and *Days Of Heaven*, and for whose return the world has pined for 20 years, stands once more in the doorway of history. But his talent now seems weird, portentous, malformed – perhaps it always was but the canvases were smaller – and his adaptation of James Jones's Guadalcanal war novel is grandiloquent beyond belief.

We cannot be surprised that the Berlin Film Festival's international jury gave it the Golden Bear. Those non-fluent in English are less likely to cringe at the overvoiced monologues which seem like bad early Melville or Whitman, full of biblical apostrophe and sonorous abstraction. "Is there an avenging power in Nature?" intones one soldier. Another: "This great Evil, where's it come from . . . Who's doin' this?"

Mr Malick, he's doing it. He is sending his 20th Century Fox shocktroops through the awesome Pacific-island landscapes – vast grassfields that hiss like the sea, creaking cathedral-forests of bamboo, surreal epiphanies of snake, crocodile or bird of paradise – only to deposit them on hills where capturing the Japs is a prelude to more soliloquising. "Uh seen another world . . . " "Each man must make an island for himself . . . "

Make no mistake. *The Thin Red Line* is fabulous to look at. It could have been made by God: if there is a terrifying beauty in battle Malick has found it. He does not provide near-monochrome raggedy-*verité* glimpses of military chaos like Spielberg. He collects all nature's colours for the camera and uses all cinema's balletic powers of movement to find new ways to lyricise the unspeakable.

This is poetry, not reportage, and the poetry is not merely escapist. There *is* a shocking beauty to violence. It refashions not just the human body – in charnel patterns from which Malick never flinches – but also the mind and senses. We gaze at two bomb-mutilated corpses in a field or glimpse a boy's face smashed into a red flower by gunfire and find ourselves thinking – guiltily – that it is a short but also a hypnotic step from the miracle of Creation to the horror of uncreation.

Malick has gathered actors who can give this vision of a slaughtered Eden real power. Nick Nolte's martinet colonel, urging his men on through death and pain; Captain Elias Koteas pleading compassion and flanking strategies; Sergeant Sean Penn, grittily and sweatily expressive, an actor who seems born to combat here as he did in *Casualties Of War*; and Private Ben Chaplin, whose flickering facial nerves say more than his cumbrous words.

Fabulous to look at: if there is a terrifying beauty in battle, Malick has found it in 'The Thin Red Line'

But that verbiage keeps coming back. So do Malick's brief cutaways to the womenfolk waiting back home – tokenist silhouettes belonging in some pre-feminist, not to say pre-Raphaelite, scrapbook – or to the other paradisal island where the film begins and ends. On this R-and-R atoll soldiers muse amid smiling natives and skinny-dipping boys. The place seems designed by the Rousseaus, Jean-Jacques and Henri: a peaceable kingdom where noble savages can strew serenity and good works. The scenes add to the maddening unevenness of Malick's movie. Half a great filmmaker – an image-craftsman with few Hollywood peers – may be better than none. But we keep wanting the other half too, someone who could breathe meaning into great pictures with great words or great insights.

*

You've Got Mail is happy froth from writer-director Nora Ephron, starring her *Sleepless In Seattle* duo Tom Hanks and Meg Ryan. If there is a heaven it may consist of watching these two fall in love over and over, with no pain, much gentle recreational pathos, and real comic charm.

Ryan plays the New York blonde running a small family bookshop while Hanks is the puppyish plutocrat about to ruin her business by planting a superstore – Dillons-meets-Borders-meets-Books-Etc – across the street. Unknowingly they are also e-mail pals, who have been tapping out thought-trivia to each other for weeks as, respectively, "Shopgirl" and "NY152" (encrypting his address). What will happen – love or hate – when and if they meet?

Film buffs will recognise the plot of the 1940 comedy-weepie *The Shop Around The Corner*, where pen-friends James Stewart and Margaret Sullavan realised – cue tears, violins and stammering love orisons – that they had been longtime shopmates. Ephron's computer update works perfectly. Cyber-friendship suits two souls making contrasting attempts to adjust to modernity, Ryan by distancing herself from a Luddite, leftish boyfriend (Greg Kinnear), Hanks by turning bookshops into multi-level hypermarkets.

Ephron shows a *Seinfeld*-ian flair for amplifying trivial vexations: the horror of being in a cash-only checkout counter without cash, or the *arriviste* party guest – Hanks himself – who scoops up the whole caviar border on a buffet platter. "The caviar is a garnish!" protests a shocked Ryan. But in Hollywood quarrels like this, we know, lead straight to love. Likewise, if you love this movie, quarrels with minor faults – too many Happy Montages, too much autumn colour co-ordination (the leaves on trees look suspiciously uniform, as if given a fresh coat of Off-Russet) – only throw the spice of a brief contrariness into the pleasure of the dish.

*

Tough females are at the centre of every other movie. In *Titanic Town* the 1970s women's peace movement in Northern Ireland is inaugurated by Julie Walters. With Ulster accent in full cry she plays a fictionalised version of Tess Costello, whose daughter Mary wrote the autobiographical novel here adapted by Anne Devlin and directed by Roger Michell (soon to debouch into the mainstream with the *Four Weddings* follow-up *Notting Hill*).

The film makes its point once, then twice, then umpteen times: the personal and domestic hell caused by entering sectarian politics even if you insist you are not sectarian. Abused by Prods and Provos alike, Walters is torn between being a Mother Courage saving her country and a mother hen protecting her chicks from the rabid caricatures who pass here for opposed ideologues.

Painted Angels is worse: a British-made western filmed in Canada, bewailing the plight of frontier prostitutes. Before a glum, scarce-budging camera – the director says he was inspired by Mizoguchi (what Mizoguchi would say we shudder to think) – six actresses led by Kelly McGillis and Brenda Fricker dispense one-note miserablism. It is like a lantern-slide talk where the lecturer has fallen asleep at the projector. No controlling vision, no intellectual bite or passion, inform the autopilot pedagogy.

*

You might as well defect to the women running around America, in various states of dementia, in *Urban Legend* (18, Jamie Blanks) and *Perdita Durango* (18, Alex de la Iglesia). The first is a high-school horror romp where pupils should have taken warning from the guest stars wandering gnomically through early scenes (psychopath specialist Brad Dourif, Robert "Freddy Krueger" Englund). The second is a *taco* action thriller starring Rosie Perez as a moll crisscrossing the Mexican border in search of love and bloodshed. The plot makes little sense but mostly moves fast enough for you not to notice.

Michael Cashman as Harry Harper, undisputed creep of the show Tristram Kenton

A clunky piece of theatrical engineering

THEATRE

ALASTAIR MACAULAY

Four Alice Bakers
Birmingham Repertory Theatre

Like a woman who has had one or two facelifts too many, Fay Weldon's new play bears one unvarying expression on its features – a contrived smirk. *The Four Alice Bakers* is an arch, synthetic affair; it could scarcely be more pleased with itself. It is all very tuned-in to the *zeitgeist*. It is about cloning, genetic engineering, media manipulation and exposé talk shows. I think it is also meant to be about modern women, but its four females are like Dolly the Sheep's idea of women. Tokenist surface is all. Vital essence is lacking.

A scientist, Richie Baker, is proved on live TV to have cloned his wife Alice three times over, with differently engineered results each time. She and her three daughters are the four Alice Bakers of the title. We are meant to have some sympathy for them, and indeed eventually for him too, but also to note with interest that these four women are in fact more or less as different as the women of most other families.

The undisputed creep of the show is Harry Harper, host of the "Harry Harper Ethical TV Hour Show". With his cries of "I act in the public interest", Weldon could not work harder to make him out to be a sly phoney.

But in a play where all the characters sound like androids, how can one character seem more phoney than the rest? Some parts of *The Four Alice Bakers* are slick, others incompetent, but it all adds up to the same thing. Most of the dialogue sounds as if Weldon has no clue how to write dialogue: it sounds – as Randall Jarrell once wrote of a bad poem – as if it had been "written on a typewriter by a typewriter".

Some of the lines, however,

The line trips off her tongue like a badly sculpted tombstone

sound as if Weldon certainly did have a clue, a highly literary and artificial clue, as in the plodding speech for Alice in which she uses the words "weight", "weighing" and "waiting" in quick succession as if trying out rhetorical effects on her three daughters. "Our strength is as the strength of four!" proclaims the eldest daughter. The line trips off her tongue like a badly sculpted tombstone.

This gruesome concoction is not, alas, helped by its production at the Birmingham Rep. Bill Alexander directs. During the scenes that are supposedly on live TV, he shows us TV screens on either side of the stage. But these look like no TV anyone ever saw. During the first few minutes, we keep seeing one or other of the two leading characters from the groin down. The boom that is meant to pick up what the studio guests are saying hangs about 18 feet from them. At regular intervals, Weldon cuts to off-centre waiting-room scenes or to flashback scenes: as staged in Ruari Murchison's designs, these show the acoustics of the Birmingham Rep at their worst.

The best performance is by Diane Fletcher as the original Alice Baker: she brings a nice mixture of dignity and alarm to her scenes, though her lines keep robbing her of humanity. Carol Royle is especially deadly as the eldest daughter: her stiff gestures and her lugubrious delivery are almost funny (amid a comedy in which I did not laugh once).

The youngest daughter is meant to be breastless and masculine; the role is played by Flora Montgomery, whose breasts are visible and who has the highest, lightest voice in the cast.

Michael Cashman has the horrid task of playing Harry Harper and having to break into little song-and-dance ad-breaks at regular intervals; I should imagine the experience will haunt him unpleasantly for the rest of his life, though the rest of us will find it easier to forget. The pacing – as you might expect – is clunky.

INTERNATIONAL Arts Guide

BERLIN

OPERA
Deutsche Oper
Tel: 49-30-34384-01
Rise and Fall of the City of Mahagonny: by Kurt Weill, libretto by Brecht. New staging by Günter Krämer, conducted by Lawrence Foster, with designs by Gottfried Pilz and Isabel Ines Glathar; Feb 28

BOLOGNA

OPERA
Teatro Comunale
Tel: 39-051-529 999
www.nettuno.it/bo/teatrocomunale
La Bohème: by Puccini. Conducted by Daniele Gatti/Paolo Arrivabeni in a staging by Lorenzo Mariani, with designs by Willy Orlandi; Feb 25

CARDIFF

OPERA
Welsh National Opera
Tel: 44-1222-464 666
Hansel and Gretel: by Humperdinck. Conducted by Wladimir Jurowski in a staging by Richard Jones, premiered in December. Cast includes Imelda Drumm, Linda Kitchen and Nigel Robson; Feb 26

COLOGNE

EXHIBITION
Wallraf-Richartz Museum
Tel: 49-221-223 82
www.museenkoeln.de
Arendt de Gelder (1645-1727): first monographic exhibition devoted to Arendt de Gelder, one of Rembrandt's most prominent pupils. The show includes 58 paintings and 13 drawings as well as 25 graphic works by Rembrandt; to May 9

COPENHAGEN

EXHIBITION
Louisiana Museum of Modern Art, Humlebaek
Tel: 45-4919 0719
www.louisiana.dk
Henri Cartier-Bresson: Europeans. Previously seen in Paris and London, this show brings together 185 works ranging across the photographer's career from the 1930s to the present; to Jun 6

EDINBURGH

OPERA
Scottish Opera, Edinburgh Festival Theatre
Tel: 44-131-529 6000
● Der Rosenkavalier: by R. Strauss. New staging by David McVicar, conducted by Richard Armstrong. The cast includes Joan Rodgers; Feb 27
● The Magic Fountain: by Delius. Conducted by Richard Armstrong in a new staging by Aidan Lang, with designs by Ashley Martin-Davis; Feb 26

HOUSTON

EXHIBITION
Museum of Fine Arts, Houston
Tel: 1-713-639 7750
www.mfah.org
Brassaï: The Eye of Paris. Retrospective of the photographer's work that coincides with the 100th anniversary of his birth. Dubbed 'the eye of Paris' by Henry Miller, Brassaï celebrated the city in photographic series including the 'Paris at Night' series on display here; to Feb 28

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
London Symphony Orchestra: conducted by Lorin Maazel in the UK premiere of his Music for Violin and Orchestra, and in Bartók's First Portrait; and by Wolfgang Gieron in Tchaikovsky's Symphony No. 6; Feb 25,

Royal Festival Hall
Tel: 44-171-960 4242
Philharmonia Orchestra: conducted by Christoph von Dohnányi in works by Haydn, Schoenberg and Beethoven; Feb 27

DANCE
Sadler's Wells
Tel: 44-171-863 8000
Pacific Northwest Ballet: London debut for the company, which brings a mixed programme of American works (Feb 22-24), and Francia Russell's staging of Balanchine's A Midsummer Night's Dream (Feb 25-27)

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
Parsifal: by Wagner. Conducted by Mark Elder in a new staging by Nikolaus Lehnhoff, with sets by Raimund Bauer and costumes by Andrea Schmidt-Futterer. Cast includes Kim Begley and Jonathan Summers; Feb 26; Mar 3

MANCHESTER

CONCERT
Bridgewater Hall
Tel: 44-161-907 9000
BBC Philharmonic: conducted by Edward Downes in works by Elgar; Feb 27

MUNICH

CONCERT
Philharmonie Gasteig
Tel: 49-89-5481 8181
Rundfunkorchester des Bayerischen Rundfunks: conducted by Marcello Viotti in works by Puccini; Feb 28

NEW YORK

CONCERTS
Avery Fisher Hall, Lincoln Center
Tel: 1-212-875 5030
www.lincolncenter.org
New York Philharmonic: conducted by Kurt Masur in works by Beethoven and Liszt. With piano soloist Hélène Grimaud, viola soloist Rebecca Young and the American Boychoir; Feb 25, 26, 27

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
Moses and Aron: by Schoenberg. Conducted by James Levine in a staging by Graham Vick, with sets and costumes by Paul Brown. Cast includes Philip Langridge and John Tomlinson; Feb 26

PARIS

CONCERT
Salle Pleyel
Tel: 33-1-4561 6589
Orchestre de Paris: conducted by Christoph Eschenbach in works by Brahms, with piano soloist Tzimon Barto; Feb 25

POTSDAM

EXHIBITION
Cinema Museum
Leni Riefenstahl: first major German exhibition of the film maker and friend to Hitler since the war. Includes films produced during the Nazi period and more recent photographic work; to Feb 28

ROME

EXHIBITION
Palazzo delle Esposizioni
Tel: 39-06-474 5903
Poussin: Early Years in Rome. Display of 41 works produced between 1624 and 1628. The centrepiece is 'The sacking of the temple in Jerusalem by Titus' (1625/6), commissioned by the Barberini family. Includes major public and private loans from Europe and the US; to Mar 1

TOKYO

CONCERTS
Suntory Hall
Tel: 81-3-3584 9999
● Tokyo Symphony: conducted by Hiroshi Wakasugi in works by Haydn and Mahler; Feb 27
● Yomiuri Nippon Symphony Orchestra: conducted by Rafael Frühbeck de Burgos in works by Falla and R. Strauss; Feb 26

VIENNA

EXHIBITION
Austrian Museum of Applied Arts
James Turrell: retrospective of the American artist who incorporates the elements into his architectural designs. Including two site-specific installations, the show also features photographs and drawings of the extinct volcano in which Turrell has been working since the 1970s; to Mar 21

WASHINGTON

EXHIBITION
National Gallery of Art
Tel: 1-202-737 4215
www.nga.gov
John Singer Sargent: previously seen at the Tate Gallery in London, this show includes more than 100 paintings and watercolours by the American portraitist. Also included are a number of landscapes; to May 31

OPERA
Washington Opera, Kennedy Center
Tel: 1-202-295 2400
www.dc-opera.org
Tristan und Isolde: by Wagner. Conducted by Heinz Fricke in a staging by Lotfi Mansouri, with designs by Mauro Pagano; Feb 27; Mar 2

TV AND RADIO

■ WORLD SERVICE
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

■ CNN International
Monday to Friday, GMT:
06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● Business/Market Reports: 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

QUENTIN PEEL

The EU's real split

Is between the wealthy north and less developed south. Unless papered over, it could bring decision-making to a halt

It is exactly four weeks to the European Union's next date with destiny: the emergency Berlin summit which is supposed to agree on the pompously named Agenda 2000, a plan for reform and future financing of the EU until 2006.

The whole exercise is intended to clear the way for the enlargement of the EU, to take in the the democracies of eastern Europe as new members of the club. It should mark the end of the cold war divide between east and west, established at Yalta.

That is the big ambition. But before the EU can get there, it has to sort out its own housekeeping. And precisely because it is about money, the debate has exposed *the real fault-line* which runs through the heart of the union.

It has nothing to do with the traditional politics of left and right, as some might wish to think. Nor is it about integration vs national sovereignty, although elements of both complicate the equation. Rather, it is a naked struggle between north and south, a cultural, religious, climatic and geographical divide which threatens to re-emerge and bring the affairs of the EU to a standstill.

The division has always been there, *but the financing* battle has brought it into the open. For the northerners in the EU are overwhelmingly net contributors to its finances – they pay more in than they take out – and the southerners are largely net recipients.

The north, led by Germany, has now been widely affected by what one might call the "British disease" – we want our money back, as Lady Thatcher used to say. The south, led by Spain, is equally adamant that they are not going to relinquish their disproportionate share of EU spending, which they see as the price they are paid to open their markets to northern industrial products.

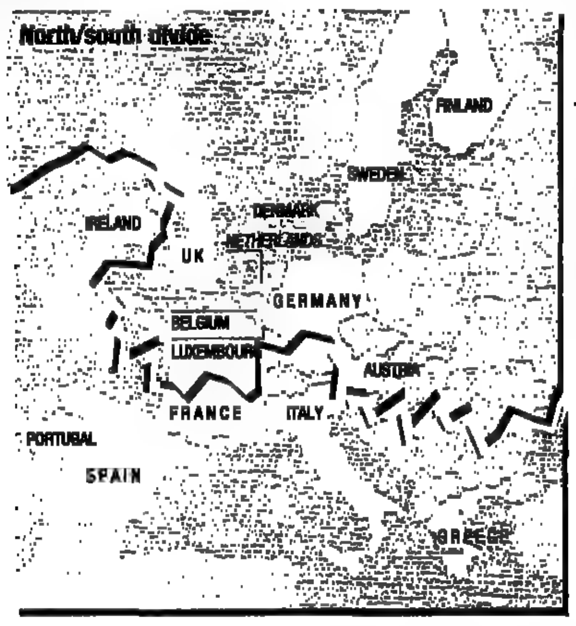
Of course, the real divide is in attitudes, not just on the map. Ireland, for example, is an honorary southerner on most things, not least in being a large net beneficiary from Brussels; while France, southern by inclination, is divided. It is now a net contributor to the budget, although its farmers are still massive net recipients. That is why France has traditionally been such a successful negotiator: it has a foot in both camps.

Germany is also torn: its head is very clearly northern, but it suffers from that age-long German *Drang nach Süden* – the yearning for the south. Only with German unification has its northern Protestant head been significantly reinforced against its southern Catholic heart. Instead of being a successful negotiator like France, however, the consequence has usually been confusion in the German camp, resolved in the end by paying for more, and resenting it.

Others have no such doubts: Greece, Italy, Portugal and Spain belong totally to the south, while the UK, Netherlands, and all of Scandinavia belong unequivocally to the north.

This sharpening of the north-south divide could undermine the entire development of the EU, and with it, the enlargement process to the east. It is already sapping public confidence. The big net *contributors in the north are* also the countries with the lowest popular support for the EU, suggesting that transfers of cash from north to south are losing public sympathy.

Jacques Delors, the former president of the commission, sees the split as the greatest problem for the union. For the EU has always proceeded primarily by consensus, with majority voting a threat, never used on questions of vital national interest.



Consider how the divide might affect the stability of the euro-zone. The "southerners" in the euro – Italy, Portugal, Spain, and *Ireland – may well be the* first to feel the strains of living with a monetary policy determined largely by the north. They would then be forced not merely to maintain but to step up their demands for cash transfers, to cope with the *consequences of ensuing* unemployment.

Or consider the glaring divide between the two poles of the EU over trade. This split emerged again on Monday when the interminable saga of a free trade agreement with South Africa was brought back to the foreign ministers for approval – it has been under debate for almost four years – and was promptly blocked again by queries from France, Greece, Italy, Portugal and Spain. That was a predictable alliance. It is not just that they all *produce competitive* products, fruit and vegetables, wines, port and sherry. They are all instinctively suspicious of free trade. The wider the gap, the harder it will be for the EU to negotiate coherently on trade matters.

The split is not just about money and goods. It is about attitudes to the very way the EU is run, about jobs for the boys (and girls). It is about differing attitudes to strict implementation of EU directives (strict in the north, lax in the south). These are issues on which attitudes cut straight across traditional party lines.

When the European parliament gathered in Strasbourg last month to debate a motion of censure on the European Commission, on charges of mismanagement and cronyism, its members divided right across the middle – north vs south.

The onslaught against the Commission was led by an unlikely alliance of British Conservatives, German Social Democrats and Greens, an Irish independent who leads the Liberal group, and solid ranks of Scandinavians. They were rapidly joined by most of the German Christian Democrats, thus ensuring that virtually the whole German corps of MEPs voted to sack the entire Commission – an extraordinary reversal in Germany's traditional *loyalty to the EU institutions.*

On the other side were most of the French and Irish, and virtually all the Italians, Greeks, Spaniards and Portuguese, regardless of party affiliation. They were joined by most but not all of *the British Labour group,* whipped into line and sounding thoroughly uncomfortable. Both the big party groups – the Socialist group on the left, and the Christian Democrats on the right – split down the middle, largely along north-south lines.

Thanks to this southern alliance, the Commissioners escaped with their jobs intact (and their reputations in tatters). But the vote demonstrated a clear gap between the attitudes of north and south toward the executive.

As one (northern) commissioner concluded: "We have a clash of cultures, not just in the parliament, but in the commission itself. Now we have to draw up a code of conduct (for EU bureaucrats) which will be acceptable to them all. That is going to be very difficult."

So can the EU paper over the gap? It depends, as so often, on France and Germany. If France throws in its lot with the south, and Germany with the north, the divide will become de-stabilising and bring decision-making to a *standstill.*

They know they have to do a deal. France will finally have to sacrifice the interests of its farmers, if it is to keep Germany as the great cash-cow of the EU.

For the truth is that Germany now has a higher priority than its *Drang nach Süden.* That is the *Drang nach Osten.* It is determined never to be on the eastern edge of a divided Europe again. France is only just beginning to understand what that means.

LETTERS TO THE EDITOR

Napoleon: agent of social revolution

From Sir Laurence Martin.

Sir, Dominique Moisi's Personal View "Plus ca change" (February 22) is illuminating not just about historical analogies but, as he is *far too clever not to know*, about France, which is never wrong and whose interest, as seen at any moment, is always supported by history and should provide the guiding principle for everyone.

If we are to go by historical analogies, however, we *ought to get them right.* Surely Napoleon destroyed the old order in Europe not because his dynastic predecessors had dismantled Poland, but because he was the agent of deep-seated intellectual, technological *and therefore social revolution.*

So, if the managers of today want to be sure their changes are soundly based they should worry not about whether John Weston, chief executive of British Aerospace, has Napoleonic *tendencies but whether their* own mergers and resulting hierarchies are well conceived to manage such revolutions of our own time as globalism and information technology.

I have no idea of the *answer, but I fear* it is not to be found in my own field of diplomatic history.

Sir Laurence Martin,
Arleigh Burke chair in strategy,
Center for Strategic & International Studies,
800 K Street Northwest,
Washington, DC 20006, US

Ideal man for Santer job

From Mr Rupert Fordham.

Sir, As a headhunter, my interest was aroused by your article about the search for a successor to Jacques Santer as president of the European Commission ("Mortals need not apply", February 22), and by your description of the ideal candidate as someone who "will have held high political office and *should combine missionary* zeal, brutish strength, a talent for administration, a legally trained mind, a gift for languages and televisual appeal".

When I read that Gerhard Schröder, the German chancellor, believes the new person should be "a social democrat president from a big country" my mind was racing. And when I saw Peter Ludlow, head of the Centre for European Policy Studies, the Brussels think-tank, quoted as saying that "you are talking of Superman", then I knew that I had found the man.

My candidate is a Mr A. Blair of Downing Steet, *London. To whom can I send* his CV?

Rupert Fordham,
partner,
Morgan Hunt Executive Search,
1 Connaught House,
Mount Row,
London W1Y 5DB, UK

Let Milken move on now

From Mr Austin List.

Sir, Christopher Parkes' article ("Publish and be redeemed: Milken makes news again", February 23) is way out of line. Michael Milken has paid his dues in full and is now engaged in many constructive activities, one of which is helping to find a *cure for prostate cancer.*

Mr Parkes should attend the forthcoming Milken Forum – he just might learn something.

Austin List,
521 Fifth Avenue,
9th floor,
New York, NY 10175, US

Monsanto miscalculated over environmentalism

From Mr Gerald Dorey.

Sir, Richard Tomkins ("Monsanto scores an own goal", February 23) misses some important points that *support his analysis. The* critical factor is environmental: the pressure groups, particularly Greenpeace, are highly politicised but are able to appear neutral.

They cannot be held accountable for their mistakes, answer to no public body, and do not even have to sell their products. For example, Greenpeace has admitted it was completely wrong about the oil hazard in Brent Spar, but by organising a boycott of Shell petrol in Germany was able to *force Shell to do the wrong* thing, for the worst reasons.

Monsanto should have known this when it pressed three large panic buttons simultaneously: *fear* of big business, ecological damage and toxic food. The fact that these important issues have no necessary connection was submerged by their genuine complexity, by the inability of the media to forgo a nice horror story, and by environmental opportunism.

Public relations may indeed provide an answer: *when Zeneca introduced* genetically modified tomato paste it prepared the ground well in an alliance with Safeway, clearly labelled the product – and cut the price. I believe sales have been excellent.

Gerald Dorey,
5 Whitehouse Road,
Oxford OX1 4PA, UK

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers worldwide. Letters may be faxed to +44 171-873 5938 (set fax to 'fine'). e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages. Fax 0171 873 5938. Letters should be typed and not hand written.

PERSONAL VIEW MARINA OTTAWAY

Keep out of Africa

For lasting peace, the colonial powers must leave the warring nations to find their own solutions: most conflicts are about internal failure, not simple border quarrels

The precarious system of states bequeathed to Africa by the colonial powers is disintegrating fast, with domestic instability increasingly leading to inter-state conflicts. War in the Democratic Republic of the Congo has sucked six other countries into its maelstrom. Civil conflicts in Sudan, Uganda, Rwanda, Congo-Brazzaville, Sierra Leone, Guinea-Bissau and Lesotho have also attracted the military intervention of neighbouring states. As *alarm mounts over these* new African wars, it is time for the international community to step back, recognise that 40 years of post-colonial intervention have often done more harm than good, and for once do little – not out of indecision, but because it is the most helpful thing to do.

Continent at war: Sierra Leone tribesman and machinegun AFP

Africans are no longer playing by the rules they established for themselves when they formed the Organisation of African Unity in 1963: inviolability of colonial borders and non-interference in each other's internal affairs. This shift in behaviour is reviving old fears of chaos on the part of the international community. Not that anybody has anything good to say about colonial borders: drawn on a map in Berlin in 1885, they are artificial lines dividing ethnic groups and old kingdoms, and generally playing *havoc with African societies.* But they are the only borders Africa has. Start questioning them, common wisdom assumes, and a Pandora's box of conflicts will fly open.

But Africans are not fighting over boundaries. Wars are raging because *many* states have become hollow entities. Governments cannot exercise basic control over their territories, let alone carry out other functions of a modern state. There are some 15 active conflicts in Africa today, but only that between Ethiopia and Eritrea can be properly described as a border conflict. The problem is not boundaries but state failure.

Take the Democratic Republic of the Congo. It has not had an effective government for 30 years. By the end of the long reign of Mobutu Sese Seko, the government could not maintain security, provide services, or pay civil servants and soldiers: Mobutu was overthrown in 1997 by a weak military movement with even weaker political roots, led by an incompetent leader, Laurent Kabila. History is repeating itself: once again, a weak rebel movement has been able to seize control over one-third of the country in a few months.

Or take Sierra Leone, a small diamond-rich country where a feckless elected government, propped up by Nigerian troops and international support, is battling a brutal rebel movement fuelled by diamonds and Liberian military aid. These are not states, but vacuums in which conflicts fester.

Does it matter why these *wars are raging?* The humanitarian consequences are the same, no matter what the cause: people die horribly and in large numbers. The economic consequences are the same: devastation for the modern economy the subsistence economy of the peasants and the informal economy of the urban poor.

But causes matter because they affect possible solutions. The international community harbours the dangerous illusion that conflicts resulting from state failure can be handled like any other. Border conflicts between states, or even civil wars between strong states and strong movements, are relatively simple. They are the continuation of politics and diplomacy by other means; mediators can help lead these conflicts back into those realms. Conflicts in imploded states are a different matter.

Such conflicts are more diffuse, the sides less well defined, the goals unclear. The choices open to the international community are stark and unpalatable.

One is to continue the present course: promotion of negotiations, small-scale interventions of short duration and no clear goals. The problem is not only that such policies are ineffective when state failure is at the root of the problem: worse, *they can actually do much* harm. Mediation attempts among groups with no goal but their own power prolong conflicts as internationally negotiated cease-fires give the two sides time to regroup, rearm and start fighting again. Angola is a case in point. Ten years of internationally sponsored negotiations and agreements have merely led to more conflict. Even humanitarian assistance can prove dangerous at times, fuelling conflict, as it did in Somalia and is probably doing in Sudan. Continuing on this course is not a viable choice.

The second option is to impose order from the outside. Realistically, this means intervening militarily, not persuading states to abide by the OAU rules, because these states are beyond abiding by rules. But the conflicts are too numerous for intervention, and some involve vast multi-ethnic countries (such as the Congo, Sudan and, if elections fail, potentially Nigeria). Even if peace could *be imposed, the* international community would have to remain for a long time to rebuild a new system. The colonial powers called this pacification. It is not a route outsiders should travel again.

The third option is to do nothing except seek to limit the supply of arms to all combatants in the hope that either one side will prevail sufficiently to reconstruct a state, or that the opponents will reach a stalemate forcing them to seek an accommodation in good faith. Intervention should be limited to the most extreme situations such as Rwanda in 1994, where the necessity of stopping crimes against humanity superseded questions about the long-term outcome of intervention.

The third option is not particularly attractive, but it is the best. Time has come to accept the limitations of what the international community can do, take stock of the damage that intervention can cause, and sit on the sidelines as the old order crumbles. It was not a particularly good order, it never worked without outside *intervention, and it is not* worth restoring. The only sustainable order in the long run is one Africans establish and maintain themselves. And if some countries break up in the process, if borders change, if new entities appear, that is simply the march of *history*, not a catastrophe to be prevented at all costs.

The author co-directs the Democracy Project at the Carnegie Endowment for International Peace.

S TO THE EDITOR

gent of social revolution

r Santer job

Let Milken move on now

alculated over environmentalism

of Africa

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Thursday February 25 1999

Hard slog ahead in Kosovo

Those who looked to the *Rambouillet* conference on Kosovo to produce a black or white outcome were bound to be disappointed, even though that is precisely what Western governments led them to expect.

As the 17-day negotiation wore on, it became increasingly unlikely that both Serbs and Albanians would sign up at one go to a combined political and military agreement. The Albanians did just enough to frustrate progress to make it impossible for Nato to carry out its threat of bombing the Serbs into full agreement. This was just as well. Bombing threats are not an end in themselves, as Madeleine Albright, the US secretary of state, eventually recognised, but a tool to advance diplomacy.

Rambouillet did produce an advance on the political shape of Kosovo self-government, though it left to the next round of talks in mid-March the task of nailing this, and much more on military peacekeeping, down into a signed peace pact. The result is far less than international mediators hoped. But it marks some progress on the situation a month ago. Then the Albanians were unable to combine their political and military factions into a single negotiating team, and the Serbs were still refusing to talk to the Kosovo Liberation Army "terrorists".

But this could unravel, as each delegation goes home to face their constituencies which both contain rejectionists. It is hard to see the Albanians returning to talks any more disposed to give up the idea of a referendum on independence. The Serbs said at Rambouillet they were ready to discuss "an international presence", but it is also hard to imagine them returning in midMarch any less reluctant about the Nato stamp that the West wants to put on this force. Any continuation of the recent fighting on the ground could also jeopardise the next round of talks.

If the two sides will not hold their fire, then the international community may begin to wonder why it should devote so much time and resources to Kosovo. A cynic might then query whether enough blood has been shed to make the warring parties really want peace. It is up to the Serbs and Albanians themselves to prove such cynics wrong.

The contrast of Rambouillet with the clear-cut peace deal the US achieved for Bosnia at Dayton also prompts questions about the wisdom of having a six-nation Contact Group, including Russia, steer the negotiations on Kosovo. Russia's lack of enthusiasm so far for a Nato peacekeeping force – and outright opposition to any Nato bombing – has been exploited by Belgrade. But it is better to have Russia inside the Group than outside and causing trouble.

One of the main tasks facing western mediators before negotiations resume is to draw Russia further into Nato-led peacekeeping arrangements. Robin Cook, the UK foreign secretary, should focus on this when he visits Moscow next week. For their part, the Albanian negotiators must face down the rejectionists in their camp, mindful of what might happen to them if the outside world walked away from their problem. Finally, pressure must be maintained on the Serbs, whose behaviour caused this crisis.

Power switch

It's a tough old world. Baron Philippe Bodson doubled the turnover of Tractebel in his 10 years as chief executive. Yesterday, he was pushed aside by the French majority shareholder, Suez Lyonnaise des Eaux, who would probably have got rid of him earlier without the intervention of the Belgian government.

As corporate earthquakes go, this is not the largest on the Richter scale, but its tremors will be felt widely in Belgium. There are also implications for the restructuring which is now taking place throughout Europe.

In Belgium, Mr Bodson's fall will be seen as the loss of a national champion. He had favoured a full merger between Tractebel and the partly-owned Electrabel and Distrigaz, to create a powerful national energy business. After the rapid erosion of Belgian ownership of its large companies, this possibility was of some political importance.

But he also intended to use the deal to dilute the 50.3 per cent holding of the French-owned Suez Lyonnaise des Eaux in Tractebel. This would have been an impediment to Suez's expansionist ambitions in the newly liberalised European energy markets, and have represented a challenge to parent company control which no multinational could easily accept.

As the euro intensifies cross-border competition in Europe, and the last market barriers are broken down, such conflicts are likely to increase. Governments must accept the trend as cheerfully as possible. But there are lessons also for Europe's new cross border giants. National sensibilities matter; there is a price for exercising effective management control.

Race in the UK

In branding London's police "institutionally racist", the Macpherson report into the murder of Stephen Lawrence became a landmark in the history of British race relations. It laid bare the appalling mistakes made during the police investigation into the murder and described a culture where racism – intentional or otherwise – is endemic.

This is an important moment both for police forces in Britain and for the UK government. Hitherto the police have often seemed politically immune from the changes – in management and culture – which have been embraced in almost every other walk of life. But this report's findings, not just of racism but of serious failings in management and communication, should be damning enough to force fundamental reform.

The report's recommendations for challenging racism in the police service are both wide-ranging and radical.

It rightly identifies the need to improve procedures for dealing with complaints of discrimination. The UK home secretary's decision to bring the police (as well as all other public services) under the Race Relations Act will allow the Commission for Racial Equality to investigate complaints by police officers or members of the public. The CRE will also be able to mount inquiries into any aspect of police operations which it suspects may be subject to discrimination. Together with the recommendation that serious complaints be investigated independently, rather than by the police themselves, this should significantly improve disciplinary procedures.

But these processes can only pick up the pieces when things go wrong. The anti-racism message must be passed down through each layer of management and driven home to all officers. And in the long term, the canteen culture will only be smashed if the composition of the force better reflects the ethnic diversity of the wider population.

If these, and many other, reforms are to work without severely damaging police morale, strong leadership will be required. The suitability of Sir Paul Condon, the Metropolitan police commissioner, to lead the drive has been questioned. Sir Paul, though, has consistently shown his reformist credentials, and is willing to accept the charge of unwitting discrimination in his force. His resignation would achieve little.

The report also recommends that the law be changed to allow individuals to be charged more than once for the same crime. That Stephen Lawrence's killers may never be convicted because a private prosecution against three of them foundered is a gross injustice. But the removal of the protection against double jeopardy would radically change the nature of the British justice system – and not necessarily for the better. The presumption should be against change here.

Overall, the Macpherson report has created an opportunity for a major overhaul of an institution where a combination of poor management and complacency has allowed racism and corruption to persist. The duty of a government which declares itself "modernising" is to move beyond the damning specifics of this report and radically reshape the way the police services are run.

Won-upmanship

A year after the collapse, there are signs of real recovery in South Korea. But a big corporate shake-up is needed if the improvement is to last, say Peter Montagnon and John Burton

Even the normally impassive demeanour admitted a little pride. The time of despair is over, declared South Korea's President Kim Dae-jung yesterday, the first anniversary of his inauguration at the height of the worst economic crisis the country has seen since the 1950s.

Thanks to the "can-do spirit" of the Korean people, he claimed, the hardest part of the crisis has been overcome. But the occasion, a sedate and solemn affair, was as orchestrated as the language was effusive. Many Koreans believe that the message of determined hope masks a realisation that his most difficult challenge may be yet to come.

Certainly, the first year of Mr Kim's administration has proved a triumph in crisis management. Now, having stabilised the economy, analysts say he needs to move on to reform the rotten corporate culture which allowed the Korean crisis to fester in the first place. That requires fundamental change, reaching into the structure of society itself, but unless he succeeds, the fragile shoots of recovery, which are now appearing under a drizzly February sky, may wither almost as quickly as they appeared.

No one can deny that the situation has been transformed. In December 1997, when Mr Kim was elected, foreign exchange reserves were all but exhausted as Korean banks struggled to repay a mountain of short-term debt. Now the reserves are over $50bn, Korea's investment grade credit rating has been restored, the currency has recovered and short-term interest rates of 8 per cent are at their lowest level for a generation. Gross domestic product, which fell 5.5 per cent last year, is forecast to grow by 2 per cent in 1999, according to finance minister Lee Kyu-sung.

Moreover Mr Kim has pushed through some changes that will leave a permanent mark. At a time when other crisis-hit Asian countries (notably Malaysia) have imposed capital controls, Korea has moved the other way, removing restrictions on capital flows, which have long been a bugbear of the country's main trading partners. Agreements have been signed to sell two of the weakest local banks, Seoul Bank and Korea First, to foreigners. For the first time, the country is fully open to foreign direct investment, "a major accomplishment for such a xenophobic nation," says Stephen Marvin an otherwise critical analyst at Jardine Fleming Securities.

Yet even the International Monetary Fund, which badly needs a success story in Korea to offset the damage to its reputation from its handling of other crisis-ridden nations, has given a warning against the risk of complacency. Without progress on corporate restructuring and a reduction in surplus capacity, the recovery will not be sustainable, said Hubert Neiss, the IMF's Asia-Pacific head last month.

Lee Hoi-chang, the opposition leader who narrowly lost to Mr Kim in the presidential election, is also unimpressed. "The positive economic indicators are tentative results coming from the inflow of foreign capital and the trade surplus resulting from the contraction of the economy. It's premature for any optimism."

Analysts say an end to destocking, which should add 3 percentage points to the growth rate this year alone, as well as deficit spending by the government has helped produced a modest recovery. Lower interest rates have also greatly eased companies' debt burden, says Richard Samuelson of Warburg Dillon Read, while a stronger currency means the foreign exchange losses that plagued companies a year ago should no longer be a problem.

The big worry is that Korea has not yet got to grips with the problems of the large conglomerates, or *chaebol*. "At the level of the firm, restructuring still has a long way to go," says Sri-Ram Aiyer, the World Bank's representative in Seoul. Paradoxically, good news for corporate earnings and the stock market may ease pressure on the *chaebol* to shed uneconomic businesses, reduce debt and raise their efficiency.

At the heart of the problem are the five largest groups: Hyundai, Samsung, LG, Daewoo and SK. Between them, they account for nearly half of all corporate assets, 40 per cent of the country's workforce and the bulk of bad loans in the banking system which are estimated by the government at Won 120,000bn ($100bn). So far, the government has persuaded them to agree to a series of asset swaps in a so-called "big deal" designed to simplify their structure and increase their specialisation in specific industries.

But this falls far short of any concerted effort to slim down. It is also a long way from any fundamental change in management approach, with greater recognition of minority shareholders' rights, more emphasis on product development rather than production capacity, and a more sophisticated understanding of global markets. Such changes would require an end, once and for all, to the assumption of *chaebol* owners that they can manipulate the government to do their bidding. This is the battle Mr Kim has to win, and it promises to be tough. The big *chaebol* are riddled with cross subsidies and guarantees and with obscure accounts that render their affairs impenetrable to outsiders. With their autocratic management, they have built up a stranglehold not only over the economy, but over the government's policy machine itself. The economic crisis and Mr Kim's election have loosened, but not broken, that grip. Now they are fighting a rearguard action which is not just a matter of resisting change, but of very survival.

Korea risks a Japanese pattern with a period of weak growth

Lee Hun-jai, head of the government's Financial Supervisory Commission (FSC), responsible for monitoring conglomerate reform, says he believes the battle is going the government's way. There is "an important mind-shift" among owners of the *chaebol* who recognise the need for change, he says.

But other officials are still wringing their hands in frustration at levels of corruption and deceit which, they say, are as high as ever. A listed subsidiary of one of the big five was recently discovered concealing Won 1,000bn in its accounts. The auditor was penalised but the true accounts have never been disclosed to the stock exchange.

According to the FSC's Mr Lee, the government expects Korea's newly cleaned-up banks to be the agents for change. If gearing targets are not met, the banks will be expected to cut off new loans. But analysts say there are doubts over whether the banks will exercise such discipline in practice – especially if the government itself becomes nervous over the attitude of labour unions.

The unions have mixed feelings about the government's programme. On the one hand, they are deeply entrenched in the sectors, such as cars, where over-capacity is greatest. On the other, they are imbued with a deep resentment of *chaebol* owners. Yesterday's withdrawal of the smaller and more militant labour union from the government's tripartite commission on labour relations bodes ill.

Moreover, President Kim's National Congress for New Politics party draws much of its support from the union members. Some suspect the government may want to avoid a confrontation, especially ahead of parliamentary elections next April. Some argue that a combination of pressure from union and manoeuvring by the *chaebol* owners may thus result in a messy, protracted and fumbling attempt at corporate reform.

That would be a far cry from the revolution promised by Mr Kim when he entered office and one which, if implemented, would push Korea ahead of Japan in terms of modernisation of its economic structure. Indeed, failure to push through reform while still priming the economy with government spending and easy money looks suspiciously similar to the Japanese approach. This means Korea risks a Japanese pattern with a period of weak, low quality growth followed by outright recession, says Jardine Fleming's Mr Marvin.

But as Japan has found, fundamental reform comes only slowly. Lee Hoi-chang complains Mr Kim has had recourse to old-style politics, using rough tactics to push legislation through parliament and pressing members of the opposition Grand National Party to defect to the government. In that, says Mr Lee, the president is simply resorting to the anti-democratic procedures of his predecessors. Equally, he complains, Mr Kim has done little to reinforce the rule of law in a country where the courts have a reputation for serving the government and the elite rather than dispensing impartial justice.

For many, legal and political reform goes hand in hand with the economic and corporate change which Korea still needs. But Mr Kim's supporters point to the scale of the task. Not only has Korea committed Won 64,000 trillion to rescue its banks. More may be necessary before the problem is sorted out. And, according to Mr Jin Nyum, head of the budgetary and planning commission, it will be 2016 before the debt is paid off, which means years of real cuts in hitherto sacrosanct expenditure on agriculture, defence and public works.

Then there are worries about the international environment. Korea's recovery prospects, and its ability to undergo reform, could be badly hit by a weakening yen which would hit exports of products such as steel, cars and consumer electronics. A devaluation by China – which takes as many Korean exports as the US – would devastate exports of petrochemicals and intermediate capital goods.

Doubtless Mr Kim's own faith in the "can-do" virtues he extolled yesterday remain unshakeable. But it will be an uphill struggle.

"Mr Kim realises he only has one shot at this. He seems very determined that his legacy is going to be a complete shake-up and restructuring of the Korean economy," says one senior Western diplomat. "But he's got to lead a very fractious country in a very difficult time."

OBSERVER

President of the people

Venezuela's presidents have always tried to be men of the people. They're officially addressed "Mister Citizen President" and earn only nominal salaries. But the charismatic and controversial former coup leader, Hugo Chávez – who took office just over three weeks ago – is taking the common touch to new lengths.

He's rejected even his meagre monthly income of $1,200, which he'll convert into a scholarship for needy students. "I don't spend anything, neither gasoline, nor food or a chauffeu....why do I need all that?" he queries. He reckons his military pension of just over $1,000 as former lieutenant colonel in the army is more than enough.

Apparently Mr Chávez also wants to extend his idea of equal income to the rest of the public sector and the country's state oil company PDVSA.

According to special legislation, no salary within the central government can exceed the president's. He says executives at the oil group were earning far too much. But he doesn't seem to have realised PDVSA officials earn a fraction of the salaries enjoyed by peers in multinational oil companies.

Mr Chávez has already surprised his fellow countrymen by pledging to convert an official presidential residence into a school and to transform an air force base into a farm and tourist complex. He's also rejected a new armoured car and will halve the size of his presidential guard. What's he going to do next – take to the streets in a hair shirt?

Wot no wheels?

Going for a drive in the Big Apple? Steel yourself: New York is fast becoming the Singapore of the west.

Hot on the heels of his onslaught on sex shops, jay-walkers and rude taxi drivers, Mayor Rudolph Giuliani has now come up with a new way of punishing drunk-drivers – by confiscating their cars.

New York's finest have started seizing vehicles from people who fail breathalyser tests. The zero-tolerance policy could see first-time offenders forfeit their vehicles for good.

The former city prosecutor, who grandstanded his way to fame with a campaign against insider dealers in the 1980s, has little patience for courts that fail to see things his way.

"Let's say somebody is acquitted [of drunk driving,] and it's one of those acquittals in which the person was guilty, but there is just not quite enough evidence beyond a reasonable doubt," Giuliani is reported to have said. "That might be a situation in which the car would still be forfeited."

One of these days shouldn't someone think about snatching the mayoral limo? Giuliani himself has not been above a little speeding and red-light jumping, according to persistent reports from journalists who have tailed the mayor's official vehicle. Follow that car!

Snow man

There's been lots of renewed excitement over rumoured plans for a merger between UK satellite broadcaster BSkyB and France's Canal Plus. The gossip sent shares in both companies into orbit but one person temporarily grounded was Richard Campbell-Breeden, of Goldman Sachs, one of BSkyB's bankers.

He got stuck in an avalanche in Lech, Austria, and he'll have to wait until the snow melts – or some kind soul airlifts him out by helicopter – before he can get stuck into any nuptials between BSkyB and Canal Plus. Then again, perhaps the blizzard of speculation about the two media groups will melt away overnight.

Catching Carlo

Ever since Italian telecoms group Olivetti launched its bold multi-billion dollar bid for Telecom Italia, everyone in Italy has suspected that Carlo De Benedetti has had a hand in this grand Italian corporate opera.

One of Italy's great takeover artists, the "ingeniere", as he's known, chose Roberto Colaninno as his replacement at the helm of Olivetti when it became engulfed in financial troubles two years ago.

Colaninno's since turned the business round and shaken the Italian corporate establishment by taking on the country's former telephone monopoly. He's also taken a leaf out of the De Benedetti book by creating holding companies to help mount a highly leveraged bid for a much bigger company.

Then there are the uncanny coincidences. The day before Colaninno announced his hostile bid, De Benedetti met prime minister Massimo D'Alema, who initially supported Olivetti's audacious move – but quickly backtracked to say the government was completely neutral. And yesterday, De Benedetti was spotted at the Milan headquarters of Mediobanca, Olivetti's advisers on the bid.

But De Benedetti insists he's got nothing to do with the telecoms battle and is merely a front row spectator. Not everyone is convinced.

Cheek-e

Onto the screen pops a piece of uninvited e-mail, advising Observer on how to get rid of all those junk e-mails intent upon ripping you off. Just send $15 – and they'll tell you how.

The Financial Times

100 years ago

Trade in New Orleans

The report of Mr. Consul Vansittart, dealing with the trade of New Orleans and district in 1898, enables us to obtain a clear view of the general conditions prevailing there as regards agriculture, industry and commerce in that year, and we admit at once that the picture drawn by Mr. Vansittart is a cheerful one in most respects. New Orleans now ranks as the sixth port of import in America, and as the fourth port of export, and the course of its trade offers a fair index of the conditions in the great group of Southern States of which it forms the chief maritime outlet.

50 years ago

More Marshall Aid

At his weekly Press Conference, President Truman rejected suggestions that Marshall Aid to Britain should cease following reports of a British Foreign Office spokesman's statement that Britain had now virtually achieved complete economic recovery. Mr. Truman said he did not know any details, but the Marshall Plan should continue until recovery was assured.

FINANCIAL TIMES

THURSDAY FEBRUARY 25 1999

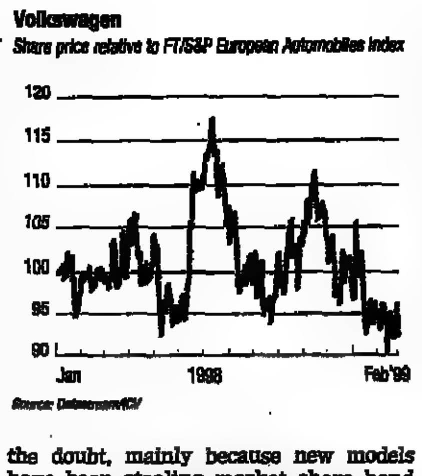
THE LEX COLUMN

Extractebel

Intractable no longer. The departure of Baron Philippe Bodson from Tractebel clears the way for its largest shareholder, the French conglomerate Suez Lyonnaise des Eaux, to stamp its will on the Belgian energy group. Having overseen its transformation from ungainly holding company to focused stock market star – it has outperformed the Belgian market by 87 per cent over the past year – Mr Bodson may appear to have been treated imperiously. And hackles will probably rise at this perceived French *hauteur*.

In truth, this probably does not matter too much for Tractebel shareholders. The likelihood is that Suez will pursue a similar strategy to that envisaged by Mr Bodson, namely the merger of Tractebel with the more domestically-oriented Electrabel and Distrigaz, in which Tractebel has large minority stakes. But it will do so in a way that maintains its majority control. The odds are now on Suez buying out Tractebel's minority shares to take 100 per cent control, and then merging it with the other two businesses.

With the nationalistic Mr Bodson out of the way, such a move should be easier. If Suez is really serious about focusing on utilities as its core business, it makes sense to take full control of its core assets. In the newly liberalised European energy markets, life is getting tougher for all. Fear of ruffling a few feathers should not be allowed to get in the way.



Volkswagen

It is hard to be charitable about Volkswagen's surprise profit warning. Talk about returning in style to the carmaker's old shareholder-unfriendly ways. By stating baldly that net earnings will struggle to rise this year, VW has dashed consensus forecasts for 15 per cent growth without giving any idea of what to put in their place. Even on a gloomy view, zero growth seems too conservative. No wonder the shares swung about wildly yesterday.

That is not to say that VW is without problems. This was always going to be a challenging year. Car markets in Europe and Latin America are shrinking, while prices in Germany are coming under pressure because of convergance within the euro-zone. Nonetheless, the market had been prepared to give VW the benefit of the doubt, mainly because new models have been stealing market share hand over fist in Europe and the US. In addition VW's restructuring – still only half complete, according to the company – was expected to yield further cost savings, helping to cushion any blow to sales.

A cynical view is that the warning was not addressed at VW's shareholders but at the IG Metall trade union, which recently won a 4 per cent award in Baden-Württemberg, affecting DaimlerChrysler. VW may hope that by pleading poverty, it will help stave off similar demands in Lower Saxony, where it has its main car plants. Perhaps it can, but it should not do so at investors' expense.

Cisco/Telia

Welcome to Cisco Systems, the bank. The giant US network equipment maker has struck a clever-looking deal with Telia, the Swedish telecommunications operator that makes as much use of its strong balance sheet as its product line-up. Telia is selling its existing telecoms infrastructure to Cisco, leasing it back, and simultaneously awarding Cisco a turnkey contract to build it a new network based on internet technology.

Sale-and-leaseback transactions are standard practice for telecoms start-ups. Established operators have been more reluctant to relinquish ownership of their networks. But if customer service does not suffer, shedding excess assets should lead to higher returns on capital and free up funds for modernisation.

For Cisco, whose origins lie in computer technology, this is a big breakthrough into running traditional telecoms networks, a $200bn a year market. It puts it squarely into competition with traditional suppliers such as Lucent and Nortel, which have in turn been buying computer networking companies to counter Cisco. The threat to laggard Europeans such as Siemens and Alcatel is even greater, as voice and data traffic increasingly converge. Rivals will surely mutter that Cisco is using its financial clout to buy itself market share. But in such a competitive market they may soon be forced to imitate its tactics.

Prudential

Is Egg the future for Prudential, or is it a rabbit pulled from the hat to obscure loss of market share in its old life assurance business? It is certainly the latter, and may even be both.

The story that investing more than £200m in e-banking beats overpaying for a building society is highly plausible. Egg claims that the costs of an internet-based banking service are far less than even telephone services, let alone a branch network. If this is true it will be able to offer attractive rates to depositors and borrowers *and* make a profit, after it stops giving the former more than it takes from the latter.

Has Sir Peter Davis performed a U-turn on the need for a high street network? Yes-ish. He has certainly listened to his technocrats in terms of all the modern ways to reach customers. But the common sense idea persists that the Pru's 3,000 sales people would be more productive if customers came to them, rather than the other way round. So a joint venture with a bank or a retailer should be on the cards, or eventually a banking merger.

Meanwhile, the Pru needs to see that direct salesforce picking up more new business. The salesmen's incentives have rightly been modified to include customer service, but life was easier when all that mattered was the quick sale. Thank goodness for the Scottish Amicable acquisition and the Pru's international expansion. This spread makes the group a fairly safe bet even if the excitement over Egg proves misplaced.

US congressmen urge ban on Concorde flights

Legislators' moves to retaliate against European Union proposals on aircraft noise pollution may fall on deaf ears, says Michael Skapinker

Sonic doom? A US ban on Concorde could bring European retaliation

Two US congressmen have started the legislative steps that could end in the Concorde supersonic airliner being banned at US airports, owing to the aircraft's noise.

Industry observers believe the US would rather not call a halt to British Airways' and Air France's Concorde services – and not just because Washington fears the anger of globe-trotting American executives and film stars. The US is concerned that a ban on Concorde could spark European retaliation.

In 1990, the International Civil Aviation Organisation, a United Nations agency, called for the phasing out of noisier, older aircraft such as the Boeing 727, the DC-9 and earlier versions of the Boeing 737, by 2002.

In the US, the noise restrictions take effect from next year. But not all airlines are getting rid of their older aircraft. Many are being fitted with hush-kits, or engine mufflers.

The US says this makes them quiet enough to meet the new requirements.

The European Commission disagrees. Last year, it proposed that no new hush-kitted aircraft be allowed to operate in European Union countries after April 1, 2002 unless it had already been flying to Europe before April 1 this year. This would in effect freeze the number of hush-kitted aircraft at existing levels.

US outrage over this proposal might be related to the fact that only US aircraft companies make the older, noisier aircraft. All aircraft manufactured by Airbus Industrie, the European consortium, meet the new noise requirements. The hush-kit manufacturers are all American too.

Washington says if the EU insists on maintaining its freeze the resale value of about 1,600 older US aircraft could plummet as wary airlines avoid buying them on the second-hand market.

In a letter to European transport ministers last week, Rodney Slater, US transportation secretary, asked the EU to reconsider its proposed legislation.

"If enacted, it could result in over $1bn of economic harm, including lost aviation product sales, and disrupt transatlantic trade in aircraft, aircraft engines, and air transportation services," he said.

He added that the US objected to the EU's proposed legislation because it concentrated on the design of an aircraft rather than how noisy it was. The hush-kitted aircraft met the new noise restrictions, he insisted.

The EU has refused to budge. The hush-kitted aircraft might meet the legal requirements, Brussels says, but they sound noisier to people living under their flight paths.

And many more people live around airports in densely populated European cities than is the case in the US. The hush-kitted aircraft also cause more pollution, the Commission says.

The European parliament this month approved the new rules. EU transport ministers are due to endorse them in the next few weeks.

Congressman James Oberstar told the US House of Representatives this month: "The Concorde aircraft has enjoyed a waiver from noise standards for over 20 years ... We in the US have been very tolerant of and co-operative with the Concorde. I am willing to continue co-operating and allow continuation of this waiver, but only if the EU drops this outrageous proposal."

Mr Oberstar continued: "The administration has seen though this thinly veiled attempt to give a competitive advantage to EU aircraft and engine manufacturers."

Mr Oberstar introduced a bill directing Mr Slater to ban Concorde from the US if the EU ministers approve the proposed noise regulations.

A similar bill has been introduced in the Senate. Both have been referred to congressional committees, but could be enacted at short notice by tacking them on as amendments to other legislation going though Congress.

The US administration is thought to be reluctant to attack Concorde's exemption. If the EU persists, observers believe the US will pursue its complaints with the World Trade Organisation.

Mr Slater and Charlene Barshefsky, US trade representative, have asked EU ministers to postpone a final decision in order that further consultations might be allowed to place.

Last night the Commission said it would talk to the US, although it was not backing down.

CONTENTS

German chancellor Gerhard Schröder in parliament yesterday where he was given no respite during the budget debate. Page 3 *Picture: Reuters*

FT.com: FINANCIAL TIMES

Directory of online services via FT Electronic Publishing

FT.com: the Financial Times web site; online news, comment and analysis.
http://www.FT.com

The Global Archive: an easy-to-use business library of over 3.5 million articles from the FT and from thousands of other leading newspapers and business publications.
http://www.FT.com/globalarchive

Newspaper subscriptions: information, offers and online ordering.
http://www.ft.com/newspaper/subscribe.htm

FT Annual Reports Service: online ordering of annual or interim reports and accounts of 1200 UK plcs
http://www.ft.com/newspaper/22ib.htm

FT Group: directory
http://www.ft.com/about/family.htm

Cityline: how to get share prices and market reports by telephone and faxback.
http://www.ft.com/newspaper/2178.htm

Surveys: details of forthcoming editorial surveys.
http://www.ft.com/newspaper/2365.htm

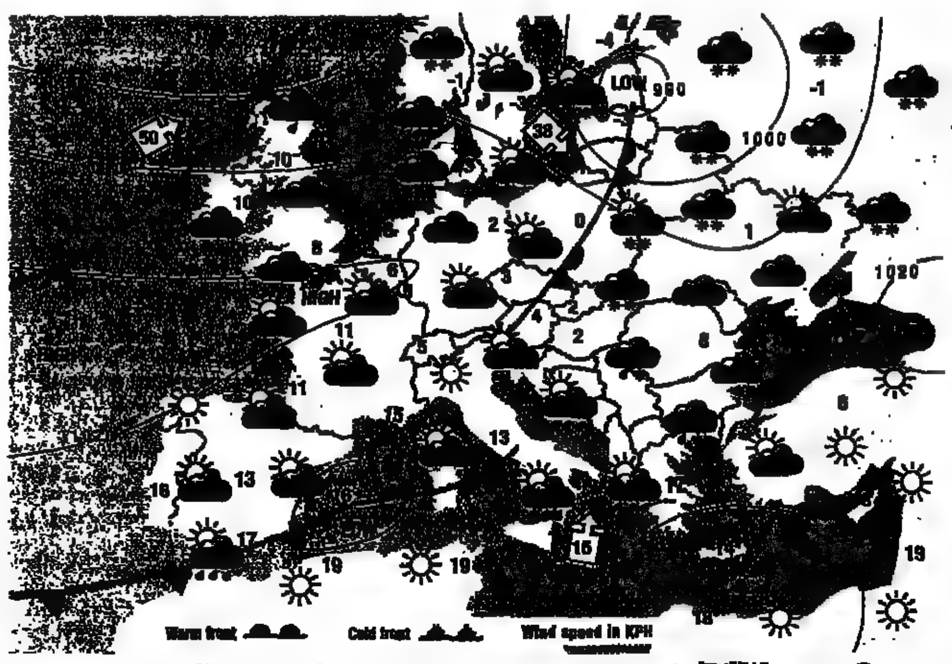
FT WEATHER GUIDE

Europe today

Thundery showers are likely in southern Spain. Portugal and northern Spain will be dry and sunny. Southern Italy and western Greece will be showery. Northern Italy, eastern Greece and Cyprus should stay fine. High pressure will bring settled conditions to the Alps, France, Belgium and Luxembourg. Holland, Denmark and the west coast of Norway will have rain or sleet, but the interior of Norway and Sweden will be fine and frosty. Germany may have occasional wintry showers, but most of the snow will be confined to eastern Europe.

Five-day forecast

The Alps will be dry and mild tomorrow and at first on Saturday, but fresh snow is expected by evening. Most of central and north-west Europe will be fine tomorrow, but showers over north-west Europe will spread south-eastwards over the weekend.



Situation at midday. Temperatures maximum for day. Forecasts by "PA" WEATHERCENTRE

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	28
Accra	Fair	33
Algiers	Fair	19
Amsterdam	Cloudy	8
Athens	Fair	14
Atlanta	Fair	14
B. Aires	Fair	29
B.ham	Cloudy	8
Bangkok	Fair	34
Barcelona	Shower	15
Beijing	Sun	10
Belfast	Rain	10
Belgrade	Shower	6
Berlin	Sleet	2
Bermuda	Shower	22
Bogota	Shower	21
Bombay	Fair	35
Brussels	Fair	6
Budapest	Fair	2
C.hagen	Cloudy	3
Cairo	Fair	21
Caracas	Fair	29
Cardiff	Fair	9
Casablanca	Shower	15
Chicago	Fair	5
Cologne	Fair	5
Dakar	Fair	24
Dallas	Sun	26
Delhi	Fair	26
Dubai	Sun	26
Dublin	Cloudy	11
Dubrovnik	Shower	11
Edinburgh	Fair	10
Faro	Fair	17
Frankfurt	Fair	6
Geneva	Fair	5
Gibraltar	Shower	16
Glasgow	drizzle	10
Hamburg	Fair	5
Helsinki	Snow	-4
Hong Kong	Sun	25
Honolulu	Fair	29
Istanbul	Fair	11
Jakarta	Shower	29
Jersey	Fair	9
Johannesburg	Fair	28
Karachi	Fair	28
Kuwait	Fair	19
L. Angeles	Fair	21
Las Palmas	Fair	20
Lima	Cloudy	28
Lisbon	Sun	18
London	Fair	8
Lux.bourg	Fair	5
Lyon	Cloudy	7
Madeira	Fair	18
Madrid	Fair	13
Majorca	Fair	16
Malta	Fair	17
Manchester	Shower	9
Manila	Fair	32
Melbourne	Fair	25
Mexico City	Fair	25
Miami	Fair	28
Milan	Sun	10
Montreal	Snow	-3
Moscow	Snow	-1
Munich	Fair	4
Nairobi	Fair	30
Naples	Shower	13
Nassau	Fair	24
New York	Snow	2
Nice	Fair	15
Nicosia	Fair	18
Oslo	Fair	-1
Paris	Fair	7
Perth	Sun	35
Prague	Fair	3
Rangoon	Sun	35
Reykjavik	Sleet	4
Rio	Thunder	31
Rome	Shower	13
S. Frsco	Shower	16
Seoul	Fair	11
Singapore	Cloudy	31
Stockholm	Shower	-3
Strasbourg	Fair	5
Sydney	Shower	22
Tangier	Shower	15
Tel Aviv	Fair	20
Tokyo	Shower	14
Toronto	Snow	2
Vancouver	Rain	8
Venice	Sun	9
Vienna	Fair	4
Warsaw	Snow	0
Washington	Sleet	4
Wellington	Fair	20
Winnipeg	Cloudy	4
Zurich	Fair	3

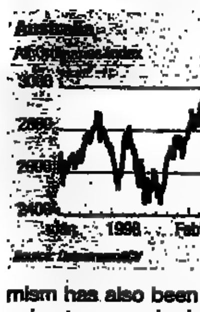
FINANCIAL TIMES
COMPANIES & MARKETS
© THE FINANCIAL TIMES LIMITED 1999 THURSDAY FEBRUARY 25 1999 Week 8

INSIDE

Rapeseed at record lows in Europe
European rapeseed prices have dropped to record lows as slowing demand and signs of bumper oilseed crops worldwide depress the market. The May contract for rapeseed on Matif, the French futures exchange, fell to its lowest level at €181 ($202.72) a tonne on Monday, 30 per cent below its price just three months ago. Page 28

German carmakers to ride downturn
Although German carmakers are this year unlikely to repeat their 1998 performance, when car sales rose 16 per cent, there is widespread consensus that they are well-equipped to withstand any economic slowdown and ride out toughening competition. Page 20

Sydney soars on surge in profits



A surprise increase in Australian corporate profits has buoyed the Sydney stock market in recent days, driving the benchmark All Ordinaries index to a record high of 2,940 – a gain of nearly 25 per cent from last year's lows, and up 4 per cent from the start of the year. Investor optimism has also been fuelled by a stream of upbeat economic data. Page 38

London leads Europe's stocks higher
European stock markets closed higher – fed by a surge in the UK, where a combination of good corporate results, a decline in sterling and euro-enthusiasm cheered investors. Page 25

Placer Dome belies dull reputation
When Joseph Danni became vice-president of corporate relations for Placer Dome, the Canadian gold producer, two years ago, he said the biggest criticism of the company was that it was too conservative. It is not a complaint he hears much these days. In the past few months, Placer has transformed itself into Canada's largest gold company through two acquisitions that have more than doubled its reserves. Page 19

Breakdown hits Schwab's broking
Charles Schwab, the largest online brokerage, experienced a 90-minute system-wide breakdown. It denied customers access to a series of internet-related services including the ability to trade through the internet. Page 22

Tokyo may delay bank reform bonds
The Japanese government is considering delaying plans to issue bonds to fund banking reform after investors warned the move could damage the markets this spring. Page 26

Indian grain production on the up
Indian production of rice, wheat cereals and pulses, the country's staple food grains, is likely to rise 1.4 per cent this fiscal year. Page 26

COMPANIES IN THIS ISSUE

CROSSWORD, Page 28

MARKET STATISTICS

Europeans beat US in bond leads

Underwriting boosted by growth of investor base

By Edward Luce, Capital Markets Editor

European investment banks have underwritten more international bonds so far this year than their US counterparts in an aggressive bid to join the ranks of the so-called global "bulge bracket".

The surge in the number of lead mandates won by European banks such as Deutsche Bank, Paribas, ABN Amro and Warburg Dillon Read, marks the first occasion European banks have overtaken their US rivals over a significant period.

Lead managers underwrite debt offerings and then distribute the bonds to investors.

Of the top 20 international lead managers, European banks accounted for almost 42 per cent of all bond underwriting from the beginning of the year to Monday, February 22 while their US counterparts accounted for about 35 per cent, according to Capital Data, the information provider.

Deutsche Bank, with 7.53 per cent of the market, beat Salomon Smith Barney, with 6.67 per cent, to be number one. The respective market shares for the whole of last year were almost exactly the reverse.

Bond analysts say the European banks have benefited from the rapid growth of Europe's investor base since the launch of the euro on January 4.

Before January, Europe's institutional investors were required to invest at least 80 per cent of their assets in their domestic currency. Much of the remaining 20 per cent was invested in other European currencies.

Since monetary union many large Dutch pension funds and French insurance funds have put new money into European and US corporate bonds which would have gone straight into the domestic bond market.

In addition, US investors are still wary of the euro and are not buying euro-denominated assets in large volume. This acts as a disincentive for new borrowers, such as Alcatel, BAT or Olivetti – all of which have recently issued bonds in euros – to appoint a US lead manager on their bond.

"Once the US investor starts buying bonds in euros then we'll need Merrill Lynch or Morgan Stanley to help lead manage these deals," said a corporate treasurer of a leading European company. "But at the moment it makes more sense to include a Japanese bank, like Nomura, to help satisfy Japanese demand."

European investors are buying more dollar-denominated assets to make up for the loss of 11 European currencies. Investors say it makes sense to include one European bank as joint lead manager on a bond issued by a US borrower to help reach the European investor base.

The market share of European banks has also been boosted by the volume of bonds issued in the single currency with large numbers of European and non-European companies issuing benchmark bonds in the euro. Although supply is likely to remain strong – with over €100bn issued in euro-denominated bonds so far this year – most believe that the US banks will start to muscle in on many of these deals.

Posco to set up takeover defences

By John Burton in Seoul

South Korea's state-run Pohang Iron and Steel (Posco) said it planned to introduce takeover defences, a move that appeared to contradict government promises to open key industries to foreign investors.

Posco, the world's second-largest steelmaker, is worried about a possible hostile foreign takeover bid once the state-run Korea Development Bank sells its remaining 21 per cent stake, fully privatising the company. Foreigners already own nearly 41 per cent of Posco.

The company said it would seek approval at its annual shareholders' meeting on March 16 to allow extra shares to be issued in the event of a hostile takeover bid.

Under the proposal, Posco could issue preferred shares, convertible to common shares, to friendly shareholders. The convertible shares would be limited to 25 per cent of outstanding shares.

Posco has contacted Japan's Nippon Steel and main raw material suppliers in Australia, Canada and Brazil to create a group of friendly shareholders. Posco could offer them bigger stakes once the individual shareholding limit of 3 per cent is abolished in 2002.

Posco and Nippon Steel, the world's largest steelmaker, have already bought a 1 per cent stake in each other under a proposal by the Korean steelmaker to forge a mutual anti-takeover alliance.

Posco said it would also seek the elimination of procedures requiring the advance approval of large shareholders for the issue of new shares.

The steelmaker also wants to reduce the number of company directors from 19 to 15, with eight of them appointed as outside directors on the basis of expert qualifications.

Despite its privatisation, Posco enjoys a close relationship with the government. Park Tae-joon, its founder, is now head of the junior coalition political party in Kim Dae-jung's government.

Institutional funds, including Templeton, Morgan Stanley, Emerging Growth, Merrill Lynch and Schroder lead the list of foreign investors in Posco. Korea's top five conglomerates have a 5.48 per cent stake in the steelmaker.

Cisco in Swedish telecoms project

By Alan Cane

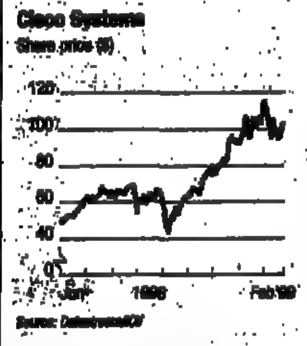
Cisco Systems, the world's biggest data networking company, is to build a national communications network for Telia, Sweden's national operator, in a ground-breaking deal which could have profound consequences for traditional telecommunications equipment manufacturers.

It will be Cisco's biggest breakthrough in the $200bn a year market for large scale telecoms equipment, placing the US company into conflict with full service suppliers such as Lucent of the US and Nortel Networks of Canada.

The new network, based on internet technology, will be supplied as a "turnkey" project (complete with hardware, software and all supporting systems). Cisco will also be responsible for support, training and consultancy.

The company more commonly provides components such as hubs and routers. The new system, which is expected to be delivered in the third quarter of this year, is being seen as its first opportunity to gain experience of building a full scale network.

In a further departure from conventional practice, Telia will sell and lease back its



existing network to Cisco while the new network is under construction. One industry observer said: "This is Cisco's pitch for credibility in the telecoms big league."

The cost to Telia, some SKr500m ($60m) over three years, is comparatively small, reflecting the unusual nature of the deal and the relatively low cost of modern communications equipment. Telecoms operators are struggling to upgrade their networks to deal with the huge volumes of data they are being asked to carry, chiefly because of the growth of the internet and other online services. More data than voice traffic is now being carried on many networks.

Traditional telecom manufacturers, however, have little experience of data communications technologies. A battle for the future of the world's networks has been developing between the older manufacturing giants like Lucent, Nortel and Alcatel and the new, computer-based companies like Cisco and 3Com. Lucent and Nortel have recently acquired Ascend and Bay Networks respectively to remedy their technological deficiencies.

The chief benefits to Telia of the deal will be freedom to concentrate on developing innovative services without the need to concern itself with technological choices.

In addition the lease-back arrangement will provide it with finance for the new network. It will also retain management control over the network together with maintenance and monitoring.

Lex, Page 16
Telia results, Page 19

Bodson quits as Tractebel chief

Energy group's head backs away from Suez clash

By Neil Buckley in Brussels and Samer Iskandar in Paris

Baron Philippe Bodson has resigned as chief executive of Tractebel, the fast-growing Belgian energy group, under pressure from his controlling shareholder, France's Suez Lyonnaise des Eaux.

Mr Bodson backed away from a potentially prolonged and bruising clash with Suez after being handed an ultimatum last week to step down or face moves to oust him.

He had been at loggerheads with Gérard Mestrallet, Suez chief executive, for a number of years over what Suez considered Mr Bodson's "lack of group spirit".

Tractebel confirmed last night that its seven-member strategy committee had accepted the resignation of its chief of 10 years and proposed Jean-Pierre Hansen, chief executive of Electrabel, Tractebel's partly-owned electricity subsidiary, to succeed him.

The Belgian group added that Suez Lyonnaise had confirmed its commitment to developing Tractebel as the "pole" of its "international and global ambitions in the energy sector".

The management changes will be formalised by Tractebel's board at its next meeting on March 18.

The departure of the ebullient and fiercely independent Mr Bodson – who presided over Tractebel's transformation from a ragbag holding company into the world's third-biggest independent power producer – clears the way for Suez Lyonnaise to stamp its will on the Belgian group.

Analysts said Mr Mestrallet would be under pressure to clarify his strategy for developing Tractebel – in particular, whether he would merge Tractebel with Electrabel and its Belgian gas distribution subsidiary Distrigaz to form a new energy super-group.

Any move towards a Tractebel/Electrabel/Distrigaz merger would be ironic, because the idea was championed by Mr Bodson. Suez had been cautious – since it might entail a dilution of its 50.3 per cent stake in Tractebel.

Mr Bodson's resignation ends his long trench warfare with Mr Mestrallet.

Mr Mestrallet, then chief executive of Suez's Belgian holding company, Société Générale de Belgique – vehicle for its Tractebel stake – attempted to oust Mr Bodson in 1994.

Mr Bodson is understood to be receiving a substantial pay-off and will remain as a Tractebel director and director of SGB and Fortis, the Belgo-Dutch financial services group in which Suez/SGB has a stake.


Pressing for change at Tractebel: Gérard Mestrallet, chief executive of Suez Lyonnaise des Eaux AP

Editorial Comment, Page 15
Lex, Page 16

Woolworth's in talks on creation of discount chain

By Norma Cohen, Property Correspondent

Woolworth's, the high street general retailer, is in talks with property developers on creating a chain of out-of-town shops modelled on those of US discount retailer Wal-Mart, in what is seen as pre-emptive strike against US retailers eager to bring their discount shopping format to Britain.

The company has approached several property developers directly to outline its plans for the 70,000 to 100,000 sq ft shops, dubbed "Wools-Mart" in private discussions.

Woolworth's trades mostly at UK high-street locations with average shop sizes of 20,000 to 30,000 sq ft.

The company is understood to be close to obtaining planning permission on a site at Kinnaird, near Edinburgh, and is in talks on a possible second site in Lancashire. Kinnaird would be a trial location, with a decision to roll out the new format stores dependent on the outcome there.

Kingfisher, owner of the Woolworth's chain, confirmed it was planning to trial a new large-store format at Kinnaird, but declined to give any details.

It said the chain was seeking 50 new sites, both on the high street and out of town, over the next five years. On the Kinnaird store, it said Woolworth's goods would be sold there, as well as those of other Kingfisher chains (which include Comet, B&Q and Superdrug), and it could possibly sell the goods of non-chain retailers as well.

It had not been decided whether it would trade under the Woolworth's brand name.

Developers familiar with the plans say the format bears a striking similarity to that of Wal-Mart, which sells a wide range from food to clothing and household goods. There was some speculation last year that Kingfisher was interested in creating a similar hypermarket format when news emerged of its interest in a possible merger with Asda, the UK's third largest supermarket group.

Last December Wal-Mart announced its second significant foray into Europe with the acquisition of 74 units of the Interspar hypermarket chain in Germany. Wal-Mart entered Germany in December 1997 by acquiring the 21-unit Wertkauf chain.

Wal-Mart also operates stores in Canada, South America, Mexico, China and Korea. Its average US store is around 73,000 sq ft, around the size being sought by Woolworth's for its new format shops.

Wal-Mart declined to say whether the chain, the world's largest retailer, had targeted the UK as a new market. "We are always looking for opportunities for long-term growth that will bring value for shareholders," it said.

Wal-Mart's international segment reported an operating profit for the year ended January 31 of $551m against $262m the year before, on sales up 63 per cent to $12.2bn.

Kobe Steel president moved in reshuffle

By Alexandra Harney in Tokyo

Kobe Steel surprised the Japanese steel industry yesterday with the resignation of president Masahiro Kumamoto and replacing him with Koshi Mizukoshi, executive vice-president. Mr Kumamoto has been appointed chairman.

The reshuffle comes just weeks after Kobe warned that losses in the year to March would deepen to Y34bn ($280m) on turnover of Y1,350bn, against losses of Y4.9bn on sales of Y1,535bn the year before.

Kobe has been hit by the collapse in steel and machinery demand amid Japan's recession and the economic crisis in Asia. This month it suffered another blow when the US Commerce Department levied steep anti-dumping tariffs on steel shipments from Japan, essentially eliminating one of the only sources of revenue growth.

As chairman, Mr Kumamoto will take the post left vacant after the resignation of Sokichi Kametaka towards the end of last year. "Dealing with change in an appropriate and timely manner is the most critical issue for management now. As we move toward managing the overall Kobe Steel group, we saw the need to divide the work between chairman and president," said Mr Kumamoto.

He announced a series of initiatives to be implemented this April, including reducing the number of board members from 38 to about 10 and shortening the term of board directors and executive officers to one year. Director and executive officer retirement benefits would be cut 20 per cent.

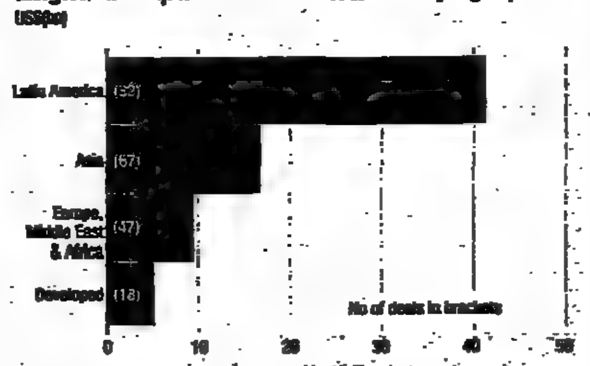
Mr Mizukoshi was chosen because of his background in corporate planning, Kobe said. He headed production operations in the group's iron and steel division, spearheading overseas initiatives – including a joint venture with USX, the US steel group – and supervising the core operations in Japan.

Kobe was at pains to dampen speculation about the unexpected resignation. "A lot of people are saying we are under pressure because times are bad, and [Mr Kumamoto] was pushed out. That is not the case," the company said.

However, analysts questioned the timing and rationale behind the shake-up. Since Mr Kumamoto was named president in June 1996, profits have dived from net earnings of Y90.3bn in 1996 to losses of Y4.9bn last year. Losses from the group's semiconductor business have weighed on profitability because of the collapse in global chip prices. Unlike rival Nippon Steel, the industry leader, Kobe has insisted on keeping its chip-making unit despite the dismal profits outlook.

M&A down in emerging markets

Mergers and Acquisitions: cross-border deals by region, 1998 US$(bn)



Source: Flemings

By Tony Tassell in Manila

The upsurge in cross-border merger and acquisition activity in emerging markets after the Asian economic crisis slowed sharply in the second half of 1998, according to a study by Robert Fleming, the investment bank group.

Depressed asset prices had been expected to trigger a further increase in mergers and acquisitions, but corporate investor interest in emerging markets tailed off sharply in the second half as financial turbulence spread internationally.

Although 1998 was the second record year in a row for cross-border M&A activity in emerging markets, Flemings says the aggregate value of such deals fell 40 per cent in the second half, if foreign investment in the privatisation of Telebras, the Brazilian telecommunications company, is excluded.

The value of cross-border deals in the second half, including Telebras, rose to $38bn from $34bn in the first. However, if Telebras is excluded, the total value of deals was $20bn in the second half.

The number of deals also dropped, from 138 to 81 over the same period.

"This suggests the peak of corporate investor interest in emerging market assets was in the first half of 1998 in the immediate aftermath of the Asian crisis," said Johnathon Garner of Robert Fleming. He also drew on data from Acquisition Monthly magazine for the study, which excludes deals of less than $50m.

For 1998 as a whole, cross-border M&A deals including Telebras rose from $51bn in 1997 to $67.5bn.

Brazil accounted for the lion's share of M&A activity in emerging markets in the second-half, with 19 deals totalling $21bn. This helped activity in Latin America rise from $16bn in the first half to $25bn in the second.

Mr Garner said the tail-off in M&A activity in the second half was highlighted in Asia.

The total value of Asian deals fell from $11bn in the first half to $6bn in the second while the number of deals fell from 45 to 22.

Activity in Korea and Thailand dropped markedly.

The value of deals in Korea fell from $5.4bn in 18 transactions in the first half to $1.1bn in three transactions in the second half.

In Thailand, two deals worth a total of $500m were recorded in the second half compared with 15 deals worth $2.2bn in the first half.

Telecoms remained the single largest area of activity in emerging markets, accounting for 34 deals worth $24bn in 1998. This was followed by banks and financial services (29 deals, $10bn), utilities (19 deals, $6.8bn) and airlines and airports (five deals, $5.7bn).

AMP confident on UK takeover

By Gwen Robinson in Sydney

AMP, Australia's largest insurance and funds management group, said yesterday it was confident it would gain the necessary regulatory and policyholder approvals to complete its £1.3bn ($2.1bn) acquisition of UK insurer National Provident Institution within the 1999 third quarter.

The NPI takeover, launched late last year, would make AMP the UK's fifth largest insurer in terms of assets.

The bid followed AMP's demutualisation and listing last year in one of Australia's most successful floats, and the purchase in early 1998 of the UK funds manager Henderson. In August, AMP launched a hostile A$3.5bn ($2.1bn) bid for GIO Holdings Australia, a general insurer, landing 57.5 per cent of GIO in January.

On Wednesday, AMP announced a net profit of A$1.03bn for its first year since demutualisation, exceeding prospectus forecasts of A$774m-$977m and up 16 per cent from a year ago. An extraordinary charge of A$1.67bn associated with its demutualisation and listing, however, brought AMP's bottom line result to a loss of A$646m. The group declared a dividend of A$0.18 a share for its 1.25m shareholders.

George Trumbull, chief executive, attributed the strong earnings to improved operational results and a solid investment performance.

In the current year, AMP expected to better its performance and would seek to further reduce its dependence on investment markets, he said. "We have been very aggressive in terms of investing our surplus capital in operating businesses to reduce our dependence on the investment markets, but we still are reasonably dependent on investment income."

Further earnings growth in the current year would come from new outside investment mandates acquired by the group's fund management arms.

In 1998, operating margins, which separate core insurance and funds management performance from investment earnings, jumped to A$433m from A$247m.

AMP shares fell 3.8 per cent to A$19.19.

Siam Cement back in black

By Ted Bardacke in Bangkok

Siam Cement, Thailand's largest industrial conglomerate, returned to the black in 1998, posting net profits of Bt19.35bn ($514m) yesterday, after a Bt52.5bn loss the year before.

The results, which kick off the country's annual reporting season, highlighted trends dominating corporate Thailand, including declining domestic revenue that increased exports cannot make up for, the attempt to sell assets that are declining in value, and balance sheets that continue to be skewed by a volatile exchange rate.

Foreign exchange gains of Bt24.4bn masked a Bt5.1bn net loss, before extraordinary items but after provisions for loss from investment, in line with analyst expectations, but much worse than 1997's net profit before foreign exchange losses of Bt3.7bn.

The losses and big debt repayments ahead persuaded Siam Cement's board not to pay a dividend.

This is a blow to its large shareholder the Crown Property Bureau, which must come up with cash soon to pay for the recapitalisation of Siam Commercial Bank.

Total revenue at Siam Cement was down 8 per cent in 1998 to Bt113.2bn on the back of a fall in domestic sales of 27 per cent. Export sales increased 66 per cent and now account for about 30 per cent of total sales.

Consolidated assets also fell 11 per cent to Bt311.5bn due mainly to their revaluation "to fair market value", the company said. This could force analysts to lower their forecast of the extraordinary income the company is expected to receive as it sells assets in autoparts, ceramics, steel, and electrical products.

These operations have recently been declared "non-core" in a restructuring exercise that will see Siam Cement become a more traditional holding company.

The company president, Chumpol Na Lamlieng, said he hoped to sell about one-third of the company's non-core assets by the end of this year. He also said that Siam Cement was looking for a foreign strategic partner to take a minority stake in the company's cement operations, which are the eighth largest in the world by capacity.

NEWS DIGEST

SUPERMARKETS

Daiei to sell part of its stake in Lawson stores

Daiei, Japan's largest supermarket operator, is to sell part of its stake in Lawson, a convenience store operator, for a Y32.1bn ($265m) profit. Daiei will reduce its share in Lawson from 46.98 per cent to 39 per cent, by selling 208,000 shares to 13 affiliates tomorrow, including Advanced Department Stores of Japan. Currently unlisted, Lawson is expected to go public next year.

The announcement comes days before Daiei's financial year ends on 28 February. In the first six months of the fiscal year Daiei fell into the red, posting a net loss of Y983m. Daiei said yesterday that it would use the Y32.1bn profit to write off losses from store closures and bad loans.

But analysts dismissed the move as "insignificant". "It's transferring assets to affiliates to manipulate its profits," said Michael Allen, retail analyst at ING Baring Securities in Tokyo. "It's an internal sale. On an unconsolidated level its stake in Lawson may drop to 39 per cent, but as a group it still owns approximately 54 per cent," added Masahiro Matsuoka, retail analyst at Warburg Dillon Read in Tokyo.

The troubled retailer has been plagued by some Y2,600bn of liabilities. Last month Isao Nakauchi, president, resigned after 40 years at the helm.
Naoko Nakamae, Tokyo

TELEPHONES

Demand lifts Indonesian group

Telekomunikasi Indonesia, the domestic telephone utility, yesterday defied forecasts by posting an increase in net profits to Rp1,169bn ($132m).

Net foreign exchange losses were Rp1,302bn, less than expected and a far cry from the Rp4,465bn loss in the first half of 1998, as the rupiah bounced back from Rp12,925 per dollar to Rp9,100 in January. Foreign exchange losses at affiliates, such as the cellular telephone joint ventures, also fell, offsetting a loss on investments.

Net profits of Rp1,169bn, up from Rp1,152bn in 1997, also reflected sustained demand for telephone subscription and usage. Use of cellular phones even rebounded after the ventures introduced pre-paid cards.

Revenues from the joint operating schemes with foreign partners, which manage expansion in the other regions of Indonesia, dropped to Rp1,591.5bn from Rp1,846.3bn, after Telkom agreed to reduce its share of revenues last summer. The partners, including Cable and Wireless, Cables & Radio of France, Telstra of Australia, Singapore Tel and US West, have offshore debt and receive rupiah revenue. **Sander Thoenes, Jakarta**

AMP confident on UK takeover

Siam Cement back in black

Daiei to sell part of its stake in Lawson stores

Demand lifts Indonesian

MOTOR GROUPS DAIMLERCHRYSLER TALKS

Nissan may sell substantial equity stake

By Alexandra Harney in Tokyo and Haig Simonian in London

Talks between Nissan Motor and DaimlerChrysler over the latter's acquisition of a substantial stake in Japan's second biggest vehicles group have reached an advanced stage.

However, Nissan yesterday denied a Kyodo wire service report that discussions were nearly completed, with the possibility that DaimlerChrysler could buy up to 33.4 per cent of the embattled Japanese car and truck-maker.

Speculation about an imminent link between the two has mounted after DaimlerChrysler's initial talks on buying Nissan's 40 per cent stake in its Nissan Diesel trucks subsidiary widened to include a stake in the parent company.

Nissan said yesterday: "This article is not true. We are continuing constructive discussions regarding Nissan Diesel and also possible co-operation projects between Nissan and DaimlerChrysler. But we have not taken any decisions yet."

Jürgen Schrempp, DaimlerChrysler's co-chairman, this month said a final decision on buying into Nissan Motor would probably be reached in the next three months.

Some further indication may emerge when DaimlerChrysler reveals its preliminary 1998 results today, although most observers do not expect more information until next month's Geneva motor show or the group's results press conference on March 31. A DaimlerChrysler official said the issue had not yet been put to the board, with work continuing on the relative merits of buying into the heavily indebted Nissan group against the risks involved.

Last month, Nissan indicated it was seeking an alliance with a foreign partner to achieve "maximum synergy effects" and confirmed talks with DaimlerChrysler could include an equity stake in the Nissan parent company.

Separately, Nissan yesterday announced it would shift car production from its Aichi Machine Industry subsidiary to its Tochigi plant near Tokyo by March 2001 to streamline output and cut costs.

Nissan said moving production of its Largo and Serena people carriers from Aichi Machine, an engine and carmaker in which Nissan has a 33.1 per cent stake, would save Y6bn ($49.8m).

The group also said it had sold 2.86m of its 14.57m shares in Nissan Fire and Marine Insurance between November 1998 and February 17 this year.

These moves mark Nissan's latest step in reshuffling relationships with suppliers under its May 1998 plan to cut its Y2,500bn in interest-bearing debt.

Placer set fair for rise in gold price

Two recent acquisitions have doubled its reserves and transformed the group into Canada's largest producer

By Edward Alden in Toronto

Two years ago, when Joseph Danni became vice-president of corporate relations for Placer Dome, the Canadian gold producer, he said the biggest criticism he heard was that the company was just too conservative. It's not a complaint he hears much these days.

In the past few months, Placer has transformed itself into Canada's largest gold company through two daring acquisitions that have more than doubled its reserves.

In December, Placer became the first North American gold company in 50 years to invest in South Africa, by making a US$235m purchase of a 50 per cent interest in the huge underground mine owned by Western Areas, with estimated reserves of 52m ounces.

And later that month the company announced a US$1.1bn agreed all-stock bid for Getchell Gold, a US gold producer with an estimated 10m ounces of reserves in its Nevada properties. The deal is scheduled to close next month.

The acquisitions will lift Placer's annual production to 3.2m ounces next year, rising to 3.5m ounces by 2003, thereby probably outstripping its rival Barrick.

But the company's new appetite for acquisitions has not gone down well with investors. Despite reporting record production of 2.9m ounces in 1998, a steady reduction in operating costs to $149 an ounce in the fourth quarter, and solid earnings of 36 cents per share on the year, the stock has lost more than 20 per cent of its value in the past two months.

John Ing, gold analyst with Maison Placements Canada, is one of the critics. "In the quest for ounces in the ground, Placer Dome is going to stretch the balance sheet and move the company to the other extreme as far as risk is concerned," he says.

The criticism is that Placer has been aggressively expanding its asset base without paying enough attention to the main driver of profits in a low gold price environment – whether those ounces can be recovered at very low cost.

"As far as they're concerned, size does matter, but in this time of low gold prices, the issue is risk versus reward," he argues.

While Barrick is projecting that its cash operating costs will decline next year to $125 an ounce, Placer is forecasting that costs will rise next year to $170 an ounce.

A shaft in a Western Areas underground mine

Critics of Placer's strategy have three complaints.

First, they argue, it paid too much for Getchell, offering more than a 100 per cent premium on the shares.

Second, the South African foray is a risky and expensive proposition based on further extending what is already the world's deepest underground mine and handling a difficult-to-manage labour force of more than 7,000.

Finally, these two moves come at a time when Placer is just starting construction on its Las Cristinas mine in Venezuela, a capital investment of US$575m which the company plans to raise internally.

John Willson, Placer president and chief executive, who met analysts in Toronto, New York and Boston this week, says the critics fail to understand the opportunities those acquisitions have opened up.

The Getchell properties, he says, offer extremely promising exploration potential and are worth much more than the market has recognised.

Mr Willson also argues that the price paid for the South African deposits – just $8 per ounce – will more than compensate for the higher development and operating costs.

With the application of North America-style mining techniques, he says, cash costs should be less than $200 per ounce. Add about $22 an ounce in up-front development costs and there is still a healthy profit, even with a gold price of $280 an ounce.

What both supporters and critics agree is that the three projects give Placer Dome perhaps the best long-term potential of any gold company in the world, and tremendous leverage should gold prices recover – "a portfolio of opportunities" is the way Mr Willson puts it.

But he knows his challenge is not just to secure reserves for the future, but to demonstrate that those assets can be profitable under the brutal economics of the current gold price. "It's possible we may never see a better price."

Gambro hit by revamp

By Tim Burt in Stockholm

Gambro, the Swedish healthcare group that announced a SKr1.1bn ($135m) restructuring last month, yesterday blamed production problems and reorganisation costs for an 11 per cent fall in fourth quarter profits.

The company, one of the world's largest suppliers of renal care products, said underlying profits fell from SKr881m to SKr787m even though year-on-year sales rose to SKr5.01bn from SKr4.48bn.

Mikael Lilius, chief executive, said profits had been undermined by supply and production difficulties with some dialyzer products in Europe, and costs of the planned sale of Gambro's cardiopulmonary care business.

Gambro's shares have fallen 54 per cent in the past year amid concerns over its core medical technology and dialysis care business.

Pre-tax profits fell from SKr13.8bn to SKr4.99bn in 1998. Full year earnings per share fell from SKr33.70 to SKr6.70. The shares fell SKr0.50 to SKr69.50.

NEWS DIGEST

BANKING

Paribas posts 26% rise to €1bn for year

Paribas, the French bank being absorbed by Société Générale following an agreed €15bn ($16.5bn) bid, yesterday reported net profits of €1bn for 1998, up 26 per cent, *and increased its dividend by 17 per cent to €2.5.*

The bank said it would take a €400m restructuring charge if SocGen's bid was successful. This week, SocGen also said it would take a €400m restructuring charge linked to the merger, after reporting a 15 per cent rise in profits to €1.07bn.

SG Paribas, as the merged entity is to be called, estimates the total restructuring charge at €1bn before taxes.

Both banks' results were affected by their exposure to troubled emerging markets. However, losses related to Russian and Asian exposures were offset by an improvement in the domestic market. **Samer Iskandar, Paris**

PROFESSIONAL SERVICES

E&Y launches campaign

Ernst & Young, the Big Five global professional services firm, will today launch its first ever worldwide advertising campaign as part of a $100m a year spend on brand building. The campaign ads, created by D'Arcy Masius Benton & Bowles, will run under the tagline: "From Thought To Finish".

The launch follows similar investment at the other leading firms, although the industry is still waiting for PwC, the new giant firm, to launch its campaign this spring.
Jim Kelly

TELECOMMUNICATIONS

Telia ahead sharply

Telia, the state owned Swedish telephone operator which is to be partially privatised, yesterday announced higher full-year profits supported by strong sales growth, cost savings and the disposal of its stake in the Italian operator Omnitel.

The company, which earlier this year announced plans to merge with Telenor of Norway, said that in the 12 months to December 31 pre-tax profits rose from SKr4.03bn to SKr6.80bn ($838m), on sales up from SKr46.44bn to SKr51.24bn. Internet and mobile telephone use were the strongest growth areas.
Nicholas George, Stockholm

PHARMACEUTICALS

French groups advance

Sanofi and Synthélabo, the French drugs groups in the *process of merging* their pharmaceuticals activities, yesterday both posted improved 1998 profits. Net earnings at Sanofi rose 10 per cent to FFr2.12bn (€323m, $355m) on sales up marginally to FFr25.8bn. Healthcare accounted for FFr22bn of this. Net attributable profits at Synthélabo rose 16 per cent to FFr1.28bn on turnover of FFr12.6bn.
David Owen, Paris

ENGINEERING

Europe helps lift Linde

Linde, the engineering group that is seen as a bellwether of German industry, yesterday reported a strong increase in sales and net profit last year that derived partly from the company's focus on Europe rather than Asia and other troubled regions.

Shares in the Wiesbaden-based group rose by more than 6 per cent, the day's best performance on the Dax blue-chip index, after it issued preliminary 1998 results showing a 13.3 per cent increase in net profit to DM507m (€259m, $284m) and a 12.5 per cent rise in sales to DM10.74bn. Engineering analysts said Linde's good performance was attributable partly to its emphasis on Europe, which accounts for more than two-thirds of the group's business, compared with under 10 per cent for Asia. **Tony Barber, Frankfurt**

COMPANIES & FINANCE: EUROPE

LUXURY GOODS SHAREHOLDERS WILL HEAR OPPOSING VIEWS IN AN INCREASINGLY ACRIMONIOUS BATTLE

Gucci to call meeting on LVMH bid for control

By Alice Rawsthorn

The Gucci board is expected by the end of this week to set a date for an extraordinary general meeting of shareholders, called for by LVMH, the French luxury goods group which is fighting for control of Gucci.

The meeting, which is expected to take place at the end of next month, will provide a public forum for the two groups to air their views in the increasingly acrimonious battle between them.

The battle began early last month when LVMH, which controls luxury brands such as Louis Vuitton luggage and the Givenchy fashion house, shocked Gucci, one of the most successful fashion companies of the 1990s, by disclosing that it had secretly purchased more than 5 per cent of its shares.

LVMH, advised by Goldman Sachs, subsequently raised its stake to 34.4 per cent and called for an extraordinary meeting of shareholders to vote on its request that a nominee director be appointed to Gucci's board.

Last week, Gucci, advised by Morgan Stanley, retaliated by opposing the appointment and exploiting an obscure provision in Dutch corporate law (Gucci is quoted in Amsterdam) by issuing an equivalent number of shares to LVMH's to a newly created employee share option plan (ESOP). This would neutralise LVMH's voting rights in the hope of forcing it to mount a full bid, rather than it exercising control over Gucci with less than 100 per cent of the shares.

The French group immediately threatened to sue on the grounds that the share issue was an abuse of the spirit of Dutch corporate law. It has sent a legal letter to Gucci and is expected to issue at least one writ against it in the next few days. LVMH is also considering taking legal action in the US.

Both camps have been courting Gucci's shareholders in the hope of securing their support. Domenico De Sole, Gucci's president, spent the first part of the week in the US, meeting institutional investors.

He claimed that the response to his arguments had been "excellent", and that several institutions intended to make public pledges of support. The Oakmark Select Fund, which owns 897,000 Gucci shares, has already issued a letter describing the ESOP as "an elegant solution to protect against the risk of a creeping takeover".

However, LVMH also claims to be confident of winning shareholder support.

Gucci's shares, which have risen from €56.90 on the day of the ESOP announcement, slipped by 35 cents to close at €63.05 in Amsterdam yesterday.

Pay TV deal faces EU inquiry

By Emma Tucker in Brussels and John Gapper in London

The European Commission, the executive arm of the European Union, yesterday indicated it was likely to launch a full-scale anti-trust investigation into any proposed merger between British Sky Broadcasting and Canal Plus, the pay television groups.

Karel Van Miert, competition commissioner, said the commission would examine a merger between the dominant UK and French pay broadcasters "with great interest", but had not received any detailed proposals so far.

BSkyB has entered preliminary talks with Canal Plus on a merger following initial discussions between the French group and News Corporation, the media company controlled by Rupert Murdoch that holds 40 per cent of BSkyB.

BSkyB is thought to favour a merger in principle, and to believe it could clear competition hurdles. However, it has not so far convinced Mr Murdoch that he should dilute his control of BSkyB in any merged group.

News Corp would probably hold about 25 per cent of a merged company, with Vivendi, the French utility group that exercises control of Canal Plus, and Pathe, the French media company, together holding another 25 per cent.

The Italian government has already called for intervention by the EU to prevent a merger. News Corp had earlier set out plans to join Telecom Italia's rival venture to Canal Plus's Telepiù digital pay television service.

Mr Van Miert said the commission was "attempting to follow events as closely as we can". He added that it was "early days to make any statement about what is at the moment really rumour and speculation".

A BSkyB-Canal Plus link would probably trigger a full-scale anti-trust investigation by the European Commission, which vets all big mergers that affect the EU's single market.

It is rare for mergers to be completely blocked – problems are usually resolved by merging parties offering concessions. However, Mr Van Miert has used his powers to scupper media ventures in the past.

If a merger proposal were agreed, BSkyB and Canal Plus would be likely to argue that joining forces would not affect the balance of competition in the UK and France, and would not lead to any rival services merging.

Observer, Page 15

Aceralia earnings up despite price fall

By David White in Madrid

Aceralia, the main Spanish steel producer, increased its net profit by almost 40 per cent in its first year as a privatised company, despite a sharp fall in prices as a result of the Asian economic crisis.

On a strictly comparable basis, its net earnings figure of Pta30.13bn (€181m, $199m) was 24 per cent up on the 1997 result, including operations which have since been incorporated into the group.

The company, allied to Arbed of Luxembourg, which holds a 35 per stake, last year built up majority control of a modern electric furnace in Bilbao, Aceria Compacta de Bizkaia.

The profit increase came despite a flat performance in sales, which rose just 2 per cent in comparable terms to Pta482bn. Output of finished products rose 4.5 per cent to 6m tonnes, while deliveries stagnated at 5.64m tonnes compared with 5.68m in 1997.

It said it had cut back its short-term production plans because of changed market conditions, but was optimistic that the Spanish market, accounting for almost three-quarters of its business, would outperform a slack overall trend in the European Union this year. It believed prices had touched bottom and should increase in the second quarter.

The company said personnel costs, which were just under 18 per cent of sales last year, remained below the general level of other EU steel producers. The group trimmed its workforce from 14,800 to under 14,300 last year.

Aceralia plans investments of Pta143bn over the next five years, mostly in developing flat steel products, of which Spain is a big importer. This follows Pta290bn of fixed investments in 1998. It said it was aiming to raise its output of finished products by 25 per cent to 7.5m tonnes in 2003.

Politics plays part in VW profit pessimism

The carmaker's gloomy view of the global industry may have something to do with its wage talks, writes **Uta Harnischfeger**

News yesterday that Volkswagen, Germany's largest carmaker, expects flat profits this year amid a "crisis-ridden global car industry" stunned investors and at one stage yesterday VW shares had fallen 12 per cent.

But after second thoughts, analysts concluded that the company's pessimism had been overdone and the shares recovered to end the day 4 per cent lower at €63.30.

Many analysts concluded that Volkswagen's statements were politically motivated – coming as they did ahead of wage negotiations – rather than reflecting the true situation of Volkswagen or the industry in general.

Although German carmakers are unlikely this year to repeat their 1998 performance, when car sales rose 16 per cent, there is widespread consensus that Volkswagen's popular models make it the best-prepared group to withstand any slowdown.

Even BMW, whose 1998 results were hit hard by a disappointing performance at Rover, its UK subsidiary, remains optimistic that restructuring should improve the difficult situation at Rover and new BMW models should boost 1999 sales.

Finally, DaimlerChrysler, which reports 1998 results today, should withstand the pressure from a potential slowdown, not least by reaping the first synergies from the transatlantic merger.

Nevertheless, there are several reasons why Volkswagen has painted a pessimistic picture.

The company's wage deal expires in the middle of the year, and it wants to prevent employees from modelling wage demands on the recent settlement in the engineering industry. That gave workers a 4.2 per cent pay rise this year, and Volkswagen's in-house agreements are traditionally above the industry's level.

Second, for the past two years, Volkswagen has used the tactic of being ultra-conservative with forecasts at the beginning of the year, and gradually improving them as the year progresses.

Third, the group wants to allow for more serious setbacks, such as in Brazil, which accounts for about 10-12 per cent of its sales.

Volkswagen has a history of surprising the financial community with unexpected and sometimes shocking late-night news.

Late on Tuesday, it published preliminary 1998 earnings showing a 65 per cent rise in net profits, from DM1.36bn in 1997 to DM2.24bn (€1.14bn, $1.25bn) in 1998.

That was slightly lower than expectations, although VW paid an unexpectedly high tax rate in the fourth quarter, which hit net profits.

But it was the company's outlook for 1999 that shocked investors. Volkswagen said that "when accounting for the crisis-ridden global automotive markets, from today's point of view, it will be difficult to further improve the profit in 1999."

Barely 12 hours after its statement, however, VW said it had been misinterpreted, and it had only meant to say that 1999 profit would not rise at the same rate as in 1998.

Klaus-Jürgen Melzner, analyst at Deutsche Bank in Frankfurt, said it was obvious that VW would not once again increase its net profit by 65 per cent in 1999. Before yesterday's events, Mr Melzner had expected net profits to rise 15 per cent in 1999, which he subsequently lowered to 10 per cent.

"VW is one of the few players that is expected to actually further increase its European and North American market share in the coming years," Mr Melzner noted.

In 1998, the company improved its global market share from 10.4 per cent to 11 per cent, and Mr Melzner pointed to the success of models such as the Golf and the new Beetle.

Lex, Page 16

Dassault Aviation to split military and civil work

By David Owen in Paris

Dassault Aviation, the French aircraft maker, is planning to separate its civil and military activities in a move that may help future partnership arrangements.

The company, which makes the Falcon business jet and the Mirage and Rafale combat aircraft, said the idea was to create two Dassault Aviation subsidiaries. Factories would be allocated according to which activity they did the majority of their work in.

The group recently established a joint venture with British Aerospace to work on new technology that could be used in their competing combat aircraft, Eurofighter and Rafale, and in a next-generation fighter that most experts expect to be a collaboration between several countries. Dassault Aviation has been caught up in the restructuring of France's defence industry after the transfer of the state's 46 per cent stake in the group to Aerospatiale, the state-owned aerospace group

Yesterday's developments came as Dassault Aviation reported consolidated 1998 net income of FFr1.35bn (€205m, $225m) on a pro forma basis, down marginally from FFr1.38bn a year before.

Besides the Aerospatiale stake, the company is owned 49.9 per cent by Dassault Industries, the Dassault family holding company, with just over 4 per cent publicly traded.

Charles Edelstenne, a senior Dassault Aviation executive, yesterday gave a broad hint that the proportion of the group's capital traded on the market might one day increase.

"It is in our interest for the financial community to know what Dassault is," he said. "We want to be transparent for the day when the number of shares floated is perhaps higher."

He said there was "no sentiment of violation" after the state transferred its stake in Dassault Aviation to Aerospatiale. Aerospatiale is in the process of privatising via the injection of Lagardère's Matra defence interests in return for a 33 per cent stake and a public share offer expected in May or June.

Dassault Aviation's pro forma consolidated sales in 1998 reached FFr20.2bn, up from FFr19.7bn. Operating income climbed from FFr2.4bn to FFr2.9bn. Consolidated net income per share was FFr134.

Aga falls on revamp costs and emerging markets

By Nicholas George in Stockholm

Aga, the Swedish industrial gases group, yesterday reported a sharp fall in full-year profits due to restructuring costs and write-downs on operations in emerging markets. It said it would concentrate on core markets and products.

The company also unveiled a SKr3bn ($370m) share redemption scheme which it said would bring its capital structure in line with the rest of the industry and said capital spending would be reduced in 1999.

In the 12 months to December 31 pre-tax profits fell to SKr556m (SKr1.64bn) on sales of SKr15.09bn (Skr14.41bn). Excluding extraordinary items pre-tax profits were SKr1.53bn.

The company said it took charges of SKr720m for its restructuring programme which will involve 1,700 job losses.

A write-down of SKr180m was made for unprofitable operations in Russia and the Ukraine and a SKr75m charge to cover currency uncertainties in South America.

Aga said that in the fourth quarter the economic situation deteriorated in the majority of its markets due to economic crisis in Russia. No immediate improvement was expected.

Lennart Selander, chief executive, said the company was prepared to make further acquisitions and exit markets as it concentrated activities.

"We think you should be number one, number two or in certain cases number three in a market to earn money in the long-term," Mr Selander said.

The company urged the Swedish government to change the law to allow share buybacks as that would, among other things, give the company the ability to use its own shares in acquisitions.

Earnings per share fell to SKr1.52 compared to SKr4.51 a year earlier with the board proposing a dividend of SKr3, unchanged from a year earlier.

Swiss Life buys French insurer

By William Hall in Zurich

Swiss Life, Switzerland's biggest life insurer, has made its second big purchase in less than a week with the FFr3.24bn (€494m, $542.7m) acquisition of Lloyd Continental, a family-owned French insurance company with over 1m customers.

Lloyd Continental, owned by the Verspieren family for many years, is one of the largest private insurance companies in the French health insurance sector. It has annual premiums of FFr3bn and the acquisition will make Swiss Life one of France's top three health insurance companies with 3m customers and annual premium income of SFr3bn ($2.1bn).

Swiss Life, which was demutualised in 1997, has made several unsuccessful efforts to expand outside Switzerland where it has a share of more than a third of the country's relatively small and mature life insurance industry. Last year it tried to buy Gan, a French insurer, which was subsequently bought by Groupama, and it also tried to buy the UK's National Provident Institution.

Swiss Life's acquisition of Lloyd Continental comes only days after it announced the SFr2.4bn purchase of Banca del Gottardo, a private bank based in the Italian-speaking part of Switzerland. Both moves are part of its strategy to expand into Europe's long-term savings market.

UBS, Swiss Life's biggest shareholder, announced last week that it planned to sell its 25 per cent stake because of growing competition between the groups in European asset gathering.

However, Swiss Life appears to be paying high prices to expand outside its traditional Swiss franchise. It paid 22 times 1998 earnings and about 2.8 times book value, for Banca del Gottardo, and has paid 25 times Lloyd Continental's estimated 1998 earnings and 3.9 times its parent's book value.

Swiss Life said that it now earns well over SFr6bn in premiums outside Switzerland. Lewis Phillips, an analyst with Fox-Pitt Kelton in London, described the latest acquisition as a "useful step" in Swiss Life's European expansion but said it would need to "do quite a few more" if it wanted to make an appreciable difference in its dependence on Swiss income.

J.P. Morgan advised Lloyd Continental and the Verspieren family, and Goldman Sachs advised Swiss Life.

M&A 'no guarantee of performance'

By Bertrand Benoit

Mergers and acquisitions do not always bring long-term rises in share price returns, and even the latest wave of mega-deals has not translated into stronger market performances for the companies involved, according to a survey by Lehman Brothers, the US investment bank.

More than half the companies involved in mergers worth more than $5bn last year underperformed their sector, the bank said.

There was no correlation between M&A deals and market performance, with movements in share prices depending more on the fortunes of the industry in which companies operated.

M&A activity has been one of the driving forces for equity markets, particularly in Europe. The volume of transactions involving European companies has quadrupled in the last five years, jumping 58 per cent last year alone to $842bn, according to JP Morgan.

Of 33 companies involved in M&A activity between the end of 1997 and August 1998, only 14 outperformed their market for the six months following the announcement.

Of the four sectors surveyed – financial, oil, pharmaceutical, and telecommunications companies – oil companies posted the weakest figures, with those involved in deals underperforming the sector by 17.6 per cent. Only the telecoms sector showed a tiny majority of companies outperforming their peers.

Are mergers good for you?

	Number of announcements	Relative price performance over 6 months following announcements	Outperformers by number
Financials	21	-0.9	8
Oils	2	-17.6	1
Pharmaceuticals	1	-3.0	0
Telecoms	9	11.4	5
Aggregate	33	1.4	14

Source: Lehman Brothers

Long-term performances are no more impressive. Half the companies taken from a 34-strong basket of high-profile transactions over the last 15 years were lagging behind their peers within a year and a half of the mergers becoming effective.

The worst performance was posted by Pharmacia-Upjohn, which underperformed the US healthcare sector by 50 per cent over 18 months following the merger.

According to Lehman Brothers, the mixed showing is due to the large proportion of defensive deals in sectors where competition is rife and margins low.

"An acquisition may be a sensible move for a company, but the sector where it operates remains the dominant factor behind share price movements," said Edwina Neal, global equity strategist.

Morgan Stanley Dean Witter is a service mark of Morgan Stanley Dean Witter & Co.

All of these Securities have been sold. This announcement appears as a matter of record only.

EQUANT

Equant N.V.

U.S. $3,574,200,000

48,300,000 Common Shares

Price U.S. $74 a Share and €66.08 a Share

Global Coordinator and Bookrunner

MORGAN STANLEY DEAN WITTER

Adviser to the Foundation

THE LAZARD HOUSES

MORGAN STANLEY DEAN WITTER

DEUTSCHE BANK

DRESDNER KLEINWORT BENSON

LAZARD CAPITAL MARKETS

MERRILL LYNCH INTERNATIONAL

PARIBAS

SALOMON SMITH BARNEY INTERNATIONAL

BBV INTERACTIVOS, S.V.B.

BEAR, STEARNS INTERNATIONAL LIMITED

BT ALEX. BROWN INTERNATIONAL

CIBC WOOD GUNDY OPPENHEIMER

CREDIT SUISSE FIRST BOSTON

MEDIOBANCA-BANCA DI CREDITO FINANZIARIO S.P.A.

February 19, 1999

COMPANIES & FINANCE: THE AMERICAS

AEROSPACE UNDERPERFORMING ACTIVITIES WILL BE 'FIXED OR ELIMINATED' UNDER STRATEGY CHANGE

Boeing to expand into new areas

By Christopher Parkes in Los Angeles and Stephen Fidler in Washington

Boeing plans constantly to scour its three operating divisions for "value-destroying" activities and either "fix or eliminate them", according to Deborah Hopkins, chief financial officer.

The US aerospace group will also expand into new areas such as aircraft service and maintenance where it sees opportunities for profit as part of a new corporate strategy unveiled yesterday.

Ms Hopkins said the first sweep had discovered that 10 per cent of Boeing's project investment portfolio, worth $1.3bn, showed little or no chance of being profitable and a further $2bn "sitting on the break-even line".

Although she declined to give details other than that the worst cases numbered no more than three or four, Ms Hopkins said they would be given immediate attention and either changed, cancelled or sold off.

"This is not the flavour of the month: this is the way we are going to run the business at Boeing for ever," Ms Hopkins said.

Phil Condit, group chairman, said last year's cancellation of the MD-11 airliner and the recent sale of the light commercial helicopter business were examples of how the strategy would work.

Ms Hopkins, who joined the group recently from General Motors, said she expected to be able to provide details of her targets and how financial prospects were to be assessed by the end of the second quarter.

As for new businesses, she said customer services was "a very strong way for us to go forward". "There are 10,683 Boeing jets around the world and what are we doing to get our share of services? Not enough."

Mr Condit was also upbeat about the prospects for expanding the space and communications division, which would benefit from fast growth in the market for information.

Most early scrutiny of project value is expected to fall on the airliner division, which has been racked by production and international economic problems.

The former McDonnell Douglas product line has already shed three models, and another, now known as the Boeing 717, has suffered from slow sales. The McDonnell factories in Long Beach, California, have been hard hit by the cuts, although they could be put to use again if the maintenance plan gets off the ground.

Separately, Boeing said yesterday its Joint Strike Fighter programme was running ahead of schedule and within US defence department cost limits.

Boeing is in competition with Lockheed Martin to build the JSF. The winner, scheduled to be announced in 2001, will build about 3,000 strike fighters for the US Air Force, Navy and Marine Corps, as well as for the UK Royal Navy to replace its Sea Harrier fighter. The aircraft are expected to cost between $28m and $38m each.

Deborah Hopkins: targeting service and maintenance business AP

Online rivals threaten drugstores

By Roger Taylor in San Francisco

The launch today of Drugstore.com, an internet pharmacist, highlights the lack of readiness among traditional drugstores in the US to face the new online competitors.

News that Amazon.com, the internet book retailer, has formed a strategic alliance with Drugstore.com will only heighten fears that traditional drugstores are in grave danger of being "amazoned".

Just as traditional booksellers were unprepared for competition from Amazon.com, traditional pharmacists are a long way behind their new online competitors.

Leading drugstores, such as Walgreens, have put limited resources into online retailing and have had very limited success in the area.

From today, Drugstore.com will allow you to order prescription drugs over the internet and have them mailed to you. The initial prescription must be faxed to the company or phoned in by a doctor.

However, refills can then requested through the net. The company will also sell non-prescription health and *beauty products*.

The company is one of a number of new businesses which see drugs as the next boom area for online retailing.

PlanetRX, another online pharmacy, is due to launch soon. Another rival, Soma.com, a company funded by its chief executive, Tim Pigott, started business in January.

Soma.com would not divulge the level of business to date but said it had received millions of hits on its site as well as thousands of inquiries and orders.

Drugstore.com has established a strong presence on the Net. Amazon.com, which *is taking a significant minority* stake in the company, will feature a link to the site on its front page.

Schwab hit by online failure

By John Labate in New York

Charles Schwab, the largest online brokerage, experienced a 90-minute system-wide breakdown yesterday, denying its customers access to internet-related services including the ability to trade through the internet.

The company admitted its technology was nearing the limits of its capacity, despite a massive effort to upgrade its systems.

Schwab's is the latest difficulty to hit large online brokers, which continue to struggle with rising demand and trading volumes.

Earlier this month the third largest broker, E*Trade, suffered a three-day trading "outage".

The system problems at Schwab appeared to be more serious, since they brought to a halt not just trading, but all access to other online services such as portfolios and research reports.

The system was reported to be down at the start of the trading day and was said by the company to be fully operational by 11am EST.

Tracey Gordon, Schwab spokesperson, said the web site could handle about 100,000 customers simultaneously. But it already came dangerously close to that upper limit in January, when it handled a record 88,000 customers. The rapid rise in customer demand has forced Schwab recently to revise its technology needs from two to three times its average volume to a goal of two to three times its peak volume. The average number of simultaneous log-ons to its web site is 25,000 during the busy morning hours.

The company blamed one of its mainframes for yesterday's outage.

Because of the problem, Schwab extended its low online trading price to telephone orders for the whole of yesterday. In addition it offered $500 worth of free trading to customers at a walk-in service branch.

US bid for Endesa Chile may help Enersis offer

By Mark Mulligan in Santiago

A $2.1bn bid for control of Endesa Chile, Latin America's biggest private electricity generator, by Duke Energy of the US has softened opposition among Chile's powerful pension funds to a separate $1.45bn offer for Enersis, the country's leading distributor, by Endesa of Spain.

The funds, or AFPs, may hold the key to tonight's vote among Enersis shareholders on a change to company statutes which would allow the Spanish group to double its 31.6 per cent stake in the distributor, and take control of one of Latin America's leading energy holding companies.

The AFPs, which also control about 28 per cent of Endesa Chile, had been expected to block tonight's vote, which requires a 75 per cent majority, because of concerns about liquidity in the remaining shares and doubts about the 320 peso offer price.

They have also clashed with the Spanish group over its opposition to the sale of Enersis' own 25.3 per cent stake in Endesa Chile, which was passed at an extraordinary shareholders meeting earlier this month, but which Endesa of Spain says it will revoke if it gains control.

However, analysts and AFP officials yesterday indicated that the Duke offer meant the funds could realise a premium on their separate Endesa Chile holding, while maintaining a strategic interest through the Enersis stake in the distributor. "I think the chances are now higher that the pension funds may approve the takeover by Endesa Spain," said Sandra Boents, Latin America utilities analyst at Salomon Smith Barney in New York. "One of the things they were asking for was a combined solution – these offers provide just that."

However, the investment bank has urged minority shareholders, which account for 40 per cent of Enersis' capital if the AFPs are considered as a voting block, to hold off for a better offer, which on the day of the bid represented a 36 per cent premium to the closing price, but only a 5.5 per cent improvement on the share's all-time high, in September 1997.

Foreign investors, who hold about 20 per cent of the stock in the form of ADRs traded on the New York Stock Exchange, are known to be unhappy with the lack of information provided by Endesa of Spain on its regional strategy for the group if it wins control.

The Spanish group has said it wants to use Enersis, which already has distribution, generation, and sanitation interests throughout Latin America, as its main platform for expansion in the region. It also reiterated its willingness to work with another multinational in managing Endesa Chile.

NEWS DIGEST

HEDGE FUNDS

Investors keep faith despite LTCM problems

Despite the collapse in bond prices which necessitated the bail out of Long-Term Capital Management, the hedge fund industry escaped a widely predicted withdrawal of funds by investors last year, according to a survey of 665 funds with over $140bn of assets released yesterday. There was a net inflow of 4 per cent in 1998, according to the survey by the Hennessee Group, a hedge fund advisory group which tracks performance. The value of the funds rose by 1 per cent based on performance, producing an year-on-year rise of 5 per cent in hedge fund investor assets.

Lee Hennessee, chairman, said the results showed that investors "stayed fully committed to hedge funds as an alternative investment. Today hedge fund investors are more experienced and in general they understand how better to deploy hedge funds in a portfolio of managers and reallocate when disappointed". She said that in 1994, when the industry was last hit by a severe bond market downturn, investor assets shrank 17 per cent.

The industry had been helped by the increased participation of institutional investors relative to individuals, she said. Institutions accounted for 45 per cent of the market in 1998, up from 40 per cent in 1997.

However funds in the same category as LTCM, a highly leveraged bond arbitrage fund, did suffer withdrawals of around 9 per cent. Tracy Corrigan, New York

TELECOMMUNICATIONS

AT&T executive joins rival

Bob Annunziata, the outsider who has risen in little more than a year to head AT&T's business services division, left yesterday to run Global Crossing, a transatlantic telecommunications operator. The move will rob the US carrier of one of its key executives as it seeks to complete the overhaul set in train by chairman Michael Armstrong a year ago.

A native of New York, Mr Annunziata spent 15 years turning Teleport, an alternative local carrier he founded, into the biggest company of its kind in the US, before selling to AT&T for $12bn early last year.
Richard Waters, New York

POWER

More price spikes predicted

While the US power markets remain in regulatory limbo, a recurrence of the price spikes that sent electricity prices soaring last summer is likely. The prediction was made by Mark Haedicke, managing director of Enron Capital & Trade Resources, the Houston energy company's wholesale energy unit, yesterday.

Last summer, a convergence of factors drove prices for electricity in the Midwest from $30 to $7,500 per megawatt hour, or more than 200 times normal levels.

The spike was caused by a number of issues, including: lack of power generation due to outages and maintenance; unseasonably warm temperatures; and constraints on the transmission of power due to an overly complex set of rules that favour regulated utilities.
Hillary Durgin, Houston

Ministers split over Olivetti hostile move

By James Blitz in Rome

Ciampi: distancing himself from both companies AFP

The Italian government yesterday sent out conflicting messages about the brewing takeover battle between Olivetti and Telecom Italia, amid signs that it could have political consequences for the government of Massimo D'Alema.

The Italian Treasury, led by Carlo Azeglio Ciampi, tried to distance itself from both telecommunications companies, insisting that its 3.4 per cent share stake in recently privatised Telecom Italia was "residual" and "temporary" and that plans to sell it had already been put in motion.

"Telecom Italia, with its privatisation in October 1997, has become a private company, whose management, strategies – including international strategies – and decisions are taken by the board," it said.

However, senior figures in the government warned that whatever the outcome of the takeover battle, Telecom Italia must remain in Italian hands and significant control of such a large strategic asset must not be seceded to an overseas group.

"The government is naturally careful to ensure that the system continues to have national roots," said Pierluigi Bersani, industry minister, on being asked whether he feared a possible foreign takeover of Telecom.

Mr Bersani's undersecretary at the ministry, Umberto Carpi, reiterated the point, arguing that the government "must exercise a form of control over strategic sectors, like it or not".

In an interview with the Milan daily Corriere Della Sera, Mr D'Alema continued to distance himself from comments he made at the end of last week, when he appeared highly enthusiastic about Olivetti's bid.

But commenting on the bid, he insisted that "the fact that a group of Italian entrepreneurs can get credit on this scale for an investment in Italy is something I find positive".

The Treasury pressed ahead with plans for the sale of its 3.4 per cent stake, amid signs that it was very close to appointing an investment bank that could advise on the operation.

The Treasury could sell the shares by means of a public offer, which would have the advantage of making the government appear neutral about the takeover battle.

But the Treasury wants to maximise its revenue from the operation and could be exposed to last-minute fluctuations in Telecom Italia's share price if it undertakes the sale in this way. The alternative would be to sell the sales in a block through a public auction, an idea that is also under consideration.

The sale of the shares is one of a number of ways in which the Italian government can exercise its influence over the operation. It continues to have a "golden share" in Telecom Italia, which means that it must give the go-ahead to strategic decisions.

There were also indications that Salvatore Cardinale, the minister for communications, would have to give the go-ahead to the sale of Olivetti's remaining stake in Infostrada and Omnitel to Mannesmann of Germany. "I think he will have to come to a judgment on this," said a senior government official last night.

Bid turns spotlight on syndicated lending

Banks are being much more careful about making a profit, writes **Edward Luce**

Syndicated loans in the pipeline (Europe)*	(€bn)	Currency denomination
Olivetti	23.5	Euro
Vodafone	9-12	Dollar
National Grid	6.2	Sterling
Scottish Power	2.8	Sterling
Alstom	1.5	Euro
Telewest	1.4	Dollar
Asda	1.3	Sterling

Source: FT * Since beginning of 1999

Whatever the final outcome of Olivetti's bid for Telecom Italia, speculation about the company's huge borrowing needs have cast the international syndicated loan market in a new light. Two years ago banks were happy to sign up for anything and – at times, it seemed – everything which borrowers threw at them. Margins had fallen to wafer-thin levels with some emerging market borrowers paying as little as 20 basis points over Libor – the rate at which banks lend to each other.

Olivetti's bid, which would require a €23.5bn (US$25.8bn) syndicated loan – easily the largest to date by a European company – provides a snapshot of how much the market has altered. "Banks are not so sentimental about relationships nowadays, they want a good return on their capital," said David Godfrey, a senior official at J.P. Morgan. "Those sorts of low margins are largely a thing of the past."

Many bankers baulked at the suggestion that Olivetti could raise as much as €23.5bn given the "capacity constraints" in the international loan market. They pointed out that other companies, such as Vodafone, the UK mobile operator that is acquiring Airtouch, the US company, or National Grid, which is buying New England Electric System of the US, are also trying to raise large sums.

Furthermore, the number of "jumbo" loans coming to the market is likely to increase, say bankers, given the rapid cross-border consolidation in many European sectors. This poses problems, not least because many banks are moving away from old-fashioned lending towards leveraged finance, project finance and the bond markets. "We're not signing up for every loan that comes our way any more," said one European banker. "There is much stronger pressure on us than before to justify the use of capital and to measure the return on capital."

Apart from paying greater obeisance to shareholder value, the number of European and US banks competing for deals has also shrunk in the last two years with the worldwide consolidation of the banking industry. This, and the virtual absence of any Japanese names from the syndicated loan market (owing to extensive repair work on their domestic balance sheets) means banks no longer under-cut so aggressively to win mandates.

European banks are also adopting US-style practices to ensure better return on capital in the loan markets. For example it is now quite common for banks to insist on including "transferability" clauses on syndicated loans. This enables the bank to sell the loan to third parties in the secondary market. Most assume Vodafone's $10bn-$14bn loan will include such a clause.

Second, the average maturity of loans is falling. Choosing a 364-day loan facility – as opposed to a two or three year loan – enables the bank to classify the loan as "zero weighted" under Basle capital adequacy rules. This makes it far more capital efficient. However, it also puts greater pressure on the borrower to quickly refinance the loan in the bond markets.

"European companies will just have to get used to recycling their debt to the bond markets," said one US banker.

Olivetti, which earlier this month issued the largest euro-denominated bond by a company, in an €1.5bn offering, has already taken the point. Should its bid succeed, it plans to tap the bond markets for up to €15bn according to bankers.

Astra defends Zeneca deal

By Tim Burt in Stockholm

Astra, the Swedish pharmaceuticals group, yesterday issued a robust defence of its proposed $35bn merger with Zeneca of the UK, amid growing signs of discontent among small shareholders in Sweden.

The company accused Aktiespararna, the small shareholders' association, of misinterpreting the terms of the deal and exaggerating the potential equity dilution faced by Swedish investors.

The association – whose members hold 11 per cent of Astra's shares – has urged investors to reject the merger, claiming it undervalues the Swedish group and overstates Zeneca's growth prospects.

The move coincided with an announcement that Karel Van Miert, the EU competition commissioner, was studying possible market concessions by Astra and Zeneca in an attempt to win clearance for the deal.

In a letter to shareholders, meanwhile, Hakan Mogren, Astra chief executive, warned: "Giving up the merger to continue alone would have a negative effect on creating shareholder value. No alternative or better merger partner has been presented by anyone."

The letter was co-signed by Percy Barnevik, chairman of Investor, Astra's largest shareholder and the main vehicle for Sweden's Wallenberg business empire.

Investor officials said Mr Barnevik – who will become chairman of the enlarged drugs group – was anxious to correct "misleading criticism" of the deal, which is expected to generate annual savings of SKr8.7bn ($1.07bn) after three years.

Aktiespararna's opposition has caused some nervousness among institutional investors. In 1994, the association sparked a shareholder revolt that scuppered the automotive merger between Volvo and Renault of France.

Astra shares, which have risen 17 per cent in the past three months, gained SKr0.50 yesterday to close at SKr165.

Pru abandons its ambition to buy a bank

By Christopher Brown-Humes

The Prudential yesterday abandoned a long-held ambition to buy a bank or building society, saying the success of its Egg direct banking arm meant it no longer needed one.

Egg has taken a £3bn ($4.9bn) of deposits in five months - more than the banking arms of J Sainsbury and Tesco, the big supermarkets, together over a longer period.

Sir Peter Davis, Pru chief executive, said: "We feel we have leap-frogged the need for a branch network." The announcement came as the Pru, the UK's biggest life assurance group, reported a 3 per cent rise in operating profits from continuing operations from a restated £834m to £860m.

Jonathan Bloomer, finance director, said that, on current trends, Egg would have the same deposit base as the Woolwich or Alliance & Leicester by the year-end.

Egg is also planning a rapid development of its mortgage and loan activities and a move into investment products.

Mr Bloomer said: "We could have gone out and paid a few billion for a building society and written off £150m a year in goodwill for our trouble. This way we are building our own business."

Sir Peter had previously said that a branch network, giving face-to-face selling opportunities in the High Street, would broaden the group's distribution options.

It is believed to have looked hard at the Woolwich before the former building society floated on the stock market in 1997.

Some analysts have applauded Egg, saying it shows a traditional financial services group repositioning itself as a dynamic, high-tech, new entrant. Trevor May, at Salomon Smith Barney, said: "Sir Peter has been changing the dinosaur of Holborn into a broader retail financial services group, not just a life assurer."

But critics predict Egg will flop, as "hot" deposits flood out the moment it drops rates to profit-making levels.

Sir Peter said Egg was still on track to make a small profit in 2001, but conceded that losses in the meantime could exceed the £200m envisaged last October. Last year, banking losses, including Egg, were £77m.

Sir Peter downplayed talk of a big merger. He said: "We are prepared to look at industry consolidation. We have nothing active on the go, nor are we holding our breath." The group was interested in acquiring a fund manager in the UK or US, and in expansion in Asian markets where it is not already present, including Japan, South Korea and Taiwan. The group plans a stock market listing in the US in the fourth quarter.

The Pru's results show increasing sales through independent advisers, rather than its traditional direct salesforce - which has declined from 5,000 to 3,000 in the past two years.

Analysts said there was clear evidence of pressure on new business margins.

A final dividend of 14p makes 21p for the year, up 10 per cent. Operating earnings per share rose 5 per cent to 33.7p

Lex Page 16

The impressive rise of a fresh Egg

Christopher Brown-Humes takes a look at the first five-months' trading of the Prudential's direct banking arm

It has been the most dramatic launch of a financial services business since Direct Line.

In just five months Egg, the direct banking arm of Prudential, has taken £3bn ($4.89bn) in deposits and opened 250,000 accounts.

The success is extraordinary, but also represents a big miscalculation by the Pru.

It only expected £5bn of deposits over three years. And there has been a price to pay – customers have suffered long delays to open accounts and the venture will lose more than the £200m forecast for the first three years.

On the other hand, the Pru has succeeded in establishing a brand rapidly, has caused discomfort to such rivals as Northern Rock, Standard Life Bank and the supermarkets, and is on the way to becoming a leading internet bank.

It is already clear that the internet is going to be a bigger part of the operation than envisaged last October.

First, this is because Egg itself wants to deal with its customers this way, rather than over the phone or via post, to keep costs down.

Second, more services are being offered over the net. Customers can now check balances and their five latest transactions on the net, for example.

In addition, a business bookshop has been launched, and an e-forum where people can debate issues such as the impact of *the euro or the merits of smart cards.*

Sir Peter Davis, chief executive, said: "We want Egg to be what springs to mind when people think of the internet and financial services."

The rate of growth in the deposit base should slow because Egg plans to shift emphasis from deposits to promoting loans and mortgages.

At the moment the deposit rate is 6.5 per cent, the best for deposits of as little as £1, and the variable mortgage rate is standing at 5.99 per cent.

However, the real test is still to come. Egg is offering attractive deposit rate guarantees until the end of next year. But what then?

Its critics remark that any financial services group can take a lot of deposits if it is prepared to lose enough money on it. "It is gravity-defying," says one.

Christopher Rodrigues, chief executive of Bradford & Bingley, said: "Those customers are not loyal. You do not build a franchise that way. At some stage Peter Davis's shareholders will not let him pay those rates."

Sir Peter demurs. Based partly on the experience of the Pru's own bank, he is confident customers will remain, even when rates are lower relative to its competitiors than they are today.

But he acknowledges, too, that Egg has to cross-sell in order to make the business logic work and to reap profits in due course.

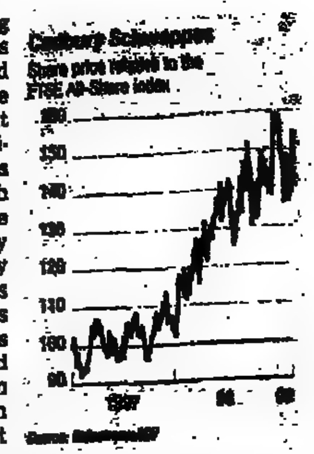
He says: "We are absolutely convinced that if we give people the right price, the right service and the right information, they will buy more than one product from us."

A lot of prestige is riding on him being right.

Sir Peter Davis (left) with Jonathan Bloomer Eye Catchers Press

COMMENT

Cadbury Schweppes



Never mind the shrinking top line, Cadbury Schweppes is managing for value. And the news flow should be pretty perky with all that money to spend. After Unilever's £5bn pay-out, it seems any company with a cash pile can get the benefit of the doubt that it will either buy wisely or return the money to shareholders. Cadbury has sold one big slice of its drinks business and has more to go. That should leave it with *more than* £1bn in hand by late 2000. With operating profits of about £600m, it could also take on £2bn debt. A shopping list, including Lindt and Hershey Foods, is easy to devise. Prising any target away from its owners for a reasonable price is more difficult. Nevertheless, it is to be hoped Cadbury can fulfil its confectionery ambitions, rather than simply offering a buy-back sweetener.

Rights issues

Mild tweaking, but no earthquake. That is the best way of viewing the Monopolies and Mergers Commission's investigation of underwriting. And given its narrow focus – underwriting fees rather than the *cost of capital* in general – tweaking was probably appropriate. Underwriting fees are still, in general, too high. But cutting them through administrative fiat or requiring companies to put underwriting services out to competitive tender would have been heavy-handed. Instead, we have modest but sensible recommendations. For instance, bankers are reminded to advise their clients of the alternatives to underwritten issues at standard fees. And the Stock Exchange is asked to ensure that companies explain their thinking if they do not put fees out to tender.

The missed opportunity was the failure to tackle the issue of pre-emption rights head-on. Unless the UK's tight guidelines are relaxed, companies will normally be railroaded towards underwritten rights issues. Sometimes that is *appropriate, but often* the requirement to tap the same investor base again and again adds to the cost of raising new equity. A more flexible system would also encourage companies to sing for their supper. The MMC concluded that this was more a matter of corporate governance than competition policy. Maybe. With luck, the Company Law Review, which does have a governance remit, will tackle the issue with vigour.

Cadbury takes charge for Russian turmoil

By John Willman

Cadbury Schweppes saw a portion of its profits melt away last year after the financial turmoil in Russia forced the confectionery and beverages group to take an exceptional charge of £68m ($110m).

The collapse of the rouble led to a loss for Cadbury Russia of £16m in 1998 – in line with 1997, but deferring beyond 2000 the business's expected break-even point.

The effects were also felt in the rest of the group's European operation, where profits were £13m lower because of lost sales to Russia.

Excluding charges and a big exceptional gain on a disposal last year, largely on the sale of its UK bottling operations, Cadbury lifted underlying profits by 6 per cent to £609m.

John Sunderland, chief executive, said Cadbury was reviewing its Russian operation to stabilise losses at an acceptable level.

However, he disappointed analysts who had been hoping for the announcement of a share buy-back to follow the sale of the group's non-US soft drinks business to Coca-Cola. The sale and the consequent disposal of bottling operations is expected to raise about £1.6bn.

"It is a challenge to find a deal that creates value for our shareowners," Mr Sunderland said. "If we cannot find the right opportunities within, say, two years, we would look to return the money." His statement contributed to a 34½p fall in the shares to £10. Other factors included the Russian write-down and a continued decline in sales of Seven-Up in the US.

Sales of Dr Pepper rose faster than the US soft drinks market for the 14th year, Cadbury said. But total volume growth for its Dr Pepper/Seven-Up beverage stable lagged slightly behind the market.

John Sunderland

Pre-tax profits for the year to January 2 fell from £987m to £579m on turnover down 2.7 per cent at £4.1bn. In addition to the £68m charge this year's figures included £38m (£412m) of disposal gains.

CGU to consider rise in premiums

By Andrew Bolger, Insurance Correspondent

CGU, Britain's biggest composite insurer, said it was determined to increase general insurance premium rates following "unsatisfactory" underwriting results last year.

The company said difficult trading conditions and weather-damage claims had reduced pre-tax operating profit to £768m last year from £1.24bn ($2bn) in the year before.

Bob Scott, CGU chief executive, said: "The immediate focus is to improve underwriting results, with rate increases and other actions, particularly in the UK. A high level of surplus capital in general insurance markets worldwide, together with the likelihood of lower investment returns, makes our focus on underwriting skills increasingly important."

Referring to the UK, Mr Scott said: "We are leading the market with rate increases and are prepared to lose business to achieve the increases. The market is following our lead, with rapid rate rises, particularly in motor classes."

CGU said UK personal motor premiums had increased by an average of 11 per cent by the end of last year. Further increases were planned this year.

Mr Scott said he believed the process of hardening rates would not be disrupted by the arrival in the market of Axa, the French insurer, which has made a recommended £3.3bn bid for Guardian Royal Exchange, the weakest of the UK composites.

CGU said there had been a £179m increase in the cost of claims from bad weather, large commercial claims and competition in leading markets. General insurance profits were £504m, down sharply from £1.04bn a year earlier.

The underwriting loss of £857m represented 10 per cent of premiums, compared with a 1997 loss of £383m, 4 per cent of premiums.

Difficult trading conditions in general insurance more than offset a strong performance by the group's worldwide life and savings operations, which accounted for 46 per cent of group business last year.

Life profits were £498m, up 21 per cent, and life and savings new business rose 8 per cent at constant exchange rates to £5.4bn.

The company said the integration of CGU and General Accident businesses was progressing well and was on schedule to deliver the forecast merger benefits.

Stan Chartered warns on Asia

By George Graham

Standard Chartered, the international banking group, warned yesterday that economic conditions in its core Asian markets would remain difficult this year, but said it would step up investment in growth opportunities from 2000 onward.

An expected increase in bad debt charges from £156m to £436m ($703m) left the bank with pre-tax profits down 19 per cent to £708m.

Rana Talwar, chief executive, cautioned that the operating environment in the bank's principal markets was unlikely to improve.

Bad debts were set to continue at current levels, and the bank was unlikely to repeat the exceptional foreign exchange trading profit made in the first half of last year, he said.

Standard Chartered is to embark on a programme to improve customer service, overhaul business processes and cut costs, with the assistance of consultants from Ernst & Young.

Mr Talwar said the bank would consider acquisitions, but his preference was for organic growth.

It has examined banks in Thailand and South Korea and is among the banks in discussions with Bank of America, which is selling its retail businesses in Taiwan.

Standard Chartered is planning to upgrade its management information systems to improve its ability to measure the profit it makes on each customer and product.

Costs are expected to increase by about 10 per cent this year as the Hong Kong units move into a new building and new computer systems are introduced in Africa.

In Hong Kong, the group's biggest market, revenues rose 6 per cent to £840m and pre-provision trading profits 12 per cent to £347m.

Bad debt charges, however, rose to £90m.

M&S culls management

By Peggy Hollinger

Marks and Spencer, the UK's biggest clothing retailer, yesterday culled 25 per cent of its top management with the departure of 34 senior executives, including three main board directors.

Peter Salsbury, the chief executive, said the first wave of job cuts would cost £10m ($16m), including the compensation payment to former deputy chairman, Keith Oates, who left the business after a board struggle over succession late last year.

The departures are only the first stage in Mr Salsbury's restructuring plan, which is aimed at speeding up decision making.

Mr Salsbury confirmed three executive directors were leaving the board, as reported yesterday in the Financial Times. They are Derek Hayes, director in charge of Europe, John Sacher, head of information technology and logistics, and Chris Littmoden, who ran the US operations. All three are taking early retirement.

M&S also announced the departure of 31 divisional and senior directors. It is understood that future job cuts could come to as much as 200, with even more taking voluntary redundancy.

"There is further restructuring to be done," a company spokeswoman said. "People have taken over new areas and need time to decide how many people they will need."

Mr Salsbury said he would keep the management structure under review. His announcement fuelled a sharp rise in the M&S share price, significantly outperforming the market. M&S closed up 19½p at 401½p.

Centrica to pay £530m dividend

By Thorold Barker

Centrica, Britain's biggest gas supplier, yesterday announced a special dividend of £530m ($864m) to shareholders, the first pay-out since its demerger from British Gas in 1997.

The 12p special dividend, accompanied by a 9-for-10 share consolidation, is expected to be followed by a dividend of 2.5p next year.

Roy Gardner, chief executive, said the group had not wanted to pay dividends until it had resolved many of its high-cost gas contracts in the North Sea, and had understood the impact of full competition in the gas market. The group had "now made excellent progress on both [issues]".

Pre-tax profits in 1998 were £164m (loss of £623m). Last year's figure included exceptional charges of £835m from gas contract renegotiations and windfall tax provisions. Turnover was £7.48bn (£7.84bn). electricity customers.

Mr Gardner said the group was interested in bidding for National Power's Drax power station.

NEWS DIGEST

HEALTHCARE

Strong interest shown in S&N's bracing business

Smith & Nephew, the medical equipment company which reports its 1998 results today, has received interest from more than 10 groups in the bracing business it put up for sale in December. Analysts estimate the business, which has sales of about £65m ($106m) and produces braces for knees, elbows and other joints, will fetch about £100m. The sale is being handled by Lazard, and bids were due last week. The business, which is mainly US-based, is the largest of its kind in the world but the market is fragmented and the company concluded it would be difficult to create a global presence for it.

S&N – which is reorganising along product rather than regional lines – is planning to list in the US in the autumn via ADRs. It is hoped that this will generate greater interest in the company among analysts. About 40 per cent of Smith & Nephew's sales and 60 per cent of its manufacturing are in the US – is also home to its main competitors and 10 per cent of its shareholders.

Salomon Smith Barney expects 1998 pre-tax profits of £150m (£161m) before exceptionals. **Virginia Marsh**

TRANSPORT

Avis shrugs off rising costs

Avis Europe, the car rental company, raised prices by 4.8 per cent last year – its first annual increase in rental rates since 1994. Mark McCafferty, chief executive, announcing *annual pre-tax profits 44.1 per cent higher at £98.7m* ($161m), said the rise in rates was important because fleet costs were always rising. Avis thinks prices will continue to increase this year, but not at the same rate.

Mr McCafferty said the results were helped by the group's efforts to cut its fleet and staff to lessen the impact of falling second-hand car prices on the business. Avis had expected the fall in the residual value of the former fleet cars it sells to knock £2.5m-£3m off profits – but the reduction was only £1,7m. **Susanna Voyle**

MINING

Hedging helps Ashanti Goldfields

Ashanti Goldfields annual 1998 results yesterday underlined the importance to gold miners of hedging profits. Hedging income amounted to $139m – unchanged on 1997 – compared with operating profits after exceptional costs but before closure losses up 14 per cent at $90.3m. *Turnover was 13 per cent ahead at $600m. If Ashanti did* not hedge its output by forward selling, its mines would not break even. Hedging allowed it to realise a gold price of $385 per ounce, $91 higher than the spot price.

RESULTS

	Period	Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Aim Group	6 mths to Oct 31 ★	32.9	(29.2)	1.84♥	(2.15L)	10.1	(16.8L)	1.5	Apr 23	1.5	-	4.5
Autonomy Φ	Yr to Dec 31	0.035	(0.466)	2.03L	(1.57L)	2.68L	(2.1L)	-	-	-	-	-
Ashanti Gold $	Yr to Dec 31	600.3	(531.3)	43.1♠	(55.7♠)	0.37	(0.5)	0.1	May 27	0.075	0.1	0.2
Avis Europe	Yr to Dec 31	576.3	(504.3)	98.7	(68.4)	12.7	(9.4)	3●	Jun 3	2.5©	4.5●	3.75©
Cadbury Schweppes	Yr to Jan 2	4,106	(4,220)	579♠	(987♥)	35	(38.7)	13.2	May 21	12.5	19	18
Cannons	Yr to Dec 31 ★	67.1	(97)	0.507♠	(16.3♥)	11.1†	(9.2)	1.76	Apr 30	1.6	2.64	2.4
Centrica	Yr to Dec 31 ★	7,481	(7,842)	164♠	(623L♠)	2	(17.8L)	12	Jun 23	-	12	-
CGU	Yr to Dec 31	15.7	(15.1)	771♠	(2,178)	37.1†	(118.8)	21.9	May 17	20.26	35.15	31.53
Conister Trust Φ	Yr to Dec 31	-	(-)	0.614♠	(0.96♥)	2.69	(3.89)	1	Apr 14	1.8	1.4	2
Diagonal	Yr to Nov 29	70.2	(44.8)	7.31	(3.34)	[illegible]	(11.4)	3.4	Apr 30	1.8	4.8	2.8
Domnick Hunter	Yr to Dec 31	73.3	(65.8)	8.62	(9.61)	17.05	(19.51)	4.752	Apr 22	4.752	6.152	7.92
Easynet Φ	Yr to Dec 31	17	(7.43)	0.143	(1.32L)	0.55	(4.48L)	-	-	-	-	-
Inveresk	Yr to Nov 28 ★	118.1	(130.8)	2.18L♠	(5.06♥)	4.8L	(8.7)	1.07	Apr 30	3.88	3	5.79
Logica	6 mths to Dec 31	292.4	(216.3)	25.55	(15.52)	4.91	(3.19♦)	1.15	Mar 25	0.9♦	-	2.35
Microgen	14 mths to Dec 31‡‡	70.1	(65.4)	8.49♥	(5.32♠)	2.2†	(8.8)	1	May 14	2.8	1	5
Prudential	Yr to Dec 31	-	(-)	1,141	(1,169)	45.3	(48.3)	14	May 26	12.7	21	18.1
Quantica	Yr to Dec 31§	15.2	(5.64)	[illegible]	(1.01)	8.79	(43.3)	2	-	-	-	-
Select Appts	Yr to Dec 31	631.8	(519.6)	55.1	(32.6)	30.4†	(1.29)	nil	-	2.3	nil	8.5
Standard Chartered	Yr to Dec 31	-	(-)	708	(870)	44.8	(57.4)	14.5	May 28	13.25	20.75	18.5
Tepnel Life Sci	6 mths to Dec 31	0.093	(0.096)	1.22L	(1.24L)	-	(-)	-	-	-	-	-
Wickes	Yr to Dec 31	536.6	(554)	24.9	(5.47L♠)	32.3†	(8.1L)	4	May [illegible]	2	6	2

Investment Trusts	Period	NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Beacon	6 mths to Dec 31	147.3	(150.3)	0.224	([illegible])	0.78	(0.39)	-	-	-	-	-
Herald	Yr to Dec 31	177.8	(205.8)	1.13	(1.11)	1.37	(1.35)	0.90	Apr [illegible]	0.85	0.90	[illegible]
Trust of Property	Yr to Dec 31	66.39	(92.84)	0.199	(0.133)	3.025	(2.025)	2.12	-	1.97	2.12	1.97

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. ★Comparatives restated. ‡‡Comparatives for 12 months. $US currency. §Comparatives 13 months to Nov 30. ●For 10 mths to Dec 31. ©Yr to Feb 28 '98. ♦Adjusted for bonus.

هدية من الاصل

EQUITIES

London surge keeps Europe's mood upbeat

EUROPEAN OVERVIEW

By Vincent Boland

European stock markets closed higher yesterday led by a surge in the UK, where a combination of good corporate results, a decline in sterling and possible euro-enthusiasm combined to bring investors out in force.

While other European markets were a little more subdued – pan-European indices rose by between 0.75 and 1.2 per cent – analysts said the mood among investors remained relatively upbeat despite the continued decline of the euro and the bleak outlook for the continental economy.

The euro remained below $1.10, and technical strategists are now calculating the chances of it reaching $1.00 this year, especially since the outlook is for European interest rates to fall further later in 1999 – although the key question is when that might happen.

Further underpinning Europe's good gains was a reasonably firm opening on Wall Street, which appeared to be reassured by comments from Alan Greenspan, chairman of the Federal Reserve.

Despite his repeated admonition about high share prices, Mr Greenspan's relatively positive comments about the health of the US economy were what the market really wanted to hear.

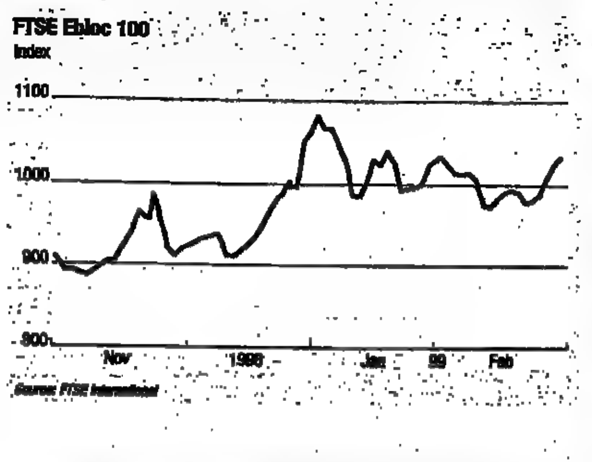
The FTSE Eurotop 300 index of leading European shares rose 14.53 points to 1,249.92, while the FTSE Eurotop 100 index climbed 36.05 to 2,881.07. The FTSE Ebloc index of euro-zone stocks rose 7.76 to 1,030.95.

There were some striking contrasts between, and even within, sectors. Automobile stocks collectively rose less than 0.5 per cent, but that disguised a sharp rise by DaimlerChrysler, €2.10 higher at €91.60, although it denied reports of a tie-up with Nissan, and an even bigger drop by VW, which ended down €4.20 at €62.85 after it said it would struggle to match last year's profits rise. BMW slid €24 to €670.

Among the UK's high-flyers were HSBC Holdings, which gained €1.40 to €25.91 on plans to streamline its share structure. That helped reverse a slump earlier in the week when its results did not entirely convince. NatWest was 70 cents higher at €20.06 on the strength of its own figures and Glaxo Wellcome added €1 to €31.30.

Suez added €1.90 to €133.90 despite the boardroom turmoil at Tractebel, which fell €2.10 to €167.90.

FTSE Ebloc 100



Source: FTSE International

FTSE Actuaries Share Indices — European series

Feb 24 National & Regional Markets	Euro Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Euro) €
FTSE Eurotop 300	1249.92	+1.18	+14.53	2.14	1.33	1288.44
FTSE Eurotop 100	2881.07	+1.27	+36.05	2.18	4.56	1034.46
FTSE Ebloc 100	1030.95	+0.76	+7.76	1.96	0.80	1047.11
FTSE EuroMid	1193.73	+0.45	+5.29	2.76	-1.30	1238.29
FTSE EuroMid Ebloc	1208.51	−0.14	−1.70	2.29	1.40	1233.46
FTSE EuroMid Ex UK	1240.20	+0.62	+7.59	2.15	0.96	1264.18
FTSE Eurotop 300 Regions						
Eurobloc	1267.92	+0.70	+9.02	1.82	1.00	1316.52
UK	1202.07	+1.96	+23.21	2.51	2.33	1264.70
Europe Ex-Eurobloc	1222.53	+1.97	+20.06	2.37	1.67	1268.06
Europe Ex-UK	1277.97	+0.76	+9.62	1.86	0.77	1362.69
FTSE Eurotop Industry Sectors						
RESOURCES	852.69	+0.78	+6.62	3.38	0.94	892.68
Mining	870.94	+3.02	+25.50	4.06	0.00	869.33
Oil & Gas	819.84	+0.69	+5.59	3.35	0.94	840.66
BASIC INDUSTRIES	1086.19	+1.03	+11.03	2.75	0.86	1110.23
Chemicals	835.55	+1.28	+10.59	2.70	0.65	850.99
Construction & Bld Matls	1002.29	+0.45	+4.45	2.33	1.13	1012.22
Forestry & Paper	873.47	+0.20	+1.73	4.42	0.00	913.41
GENERAL INDUSTRIALS	[illegible]	+0.75	+8.52	1.91	2.39	1170.27
Aerospace & Defence	815.37	−0.86	−7.04	2.01	0.00	826.53
Diversified Industrials	996.12	+0.37	+3.65	2.02	0.00	1018.91
Electronic & Elect Equip	1015.38	+1.51	+15.11	[illegible]	5.15	1028.19
Engineering & Machinery	1046.29	+0.58	+6.07	1.80	1.85	1062.52
CYCLICAL CONS GOODS	[illegible]	−0.20	−2.60	2.36	0.00	[illegible]
Automobiles	[illegible]	−0.34	−3.42	2.38	0.00	997.64
Household Goods & Texts	1263.18	+0.65	+8.20	2.35	0.00	1273.98
NON-CYC CONS GOODS	1264.87	+1.27	+15.87	1.45	0.49	1300.18
Beverages	938.26	+2.14	+19.65	2.91	0.00	956.48
Food Producers & Process	951.48	+0.25	+2.35	1.83	0.00	962.68
Health	882.14	+1.87	+17.24	8.54	0.00	905.49
Packaging	788.37	+0.97	+7.58	1.16	0.00	790.35
Personal Care & Hse Prods	1140.49	+0.32	+3.59	0.85	0.00	1160.03
Pharmaceuticals	1165.12	+1.76	+20.18	1.12	0.69	1172.10
Tobacco	1402.11	−0.30	−4.18	2.85	1.42	1430.20
CYCLICAL SERVICES	1342.75	+1.82	+24.03	2.29	1.17	1383.34
Distributors	716.44	+3.42	+23.67	4.12	0.00	724.49
General Retailers	1114.06	+2.40	+26.08	2.06	1.06	1138.18
Leisure Entertmt & Hotels	967.72	+1.48	+14.08	2.14	0.02	977.64
Media & Photography	1252.24	+1.06	+20.46	1.05	0.71	1266.35
Restr, Pubs & Breweries	840.09	[illegible]	+31.39	3.35	2.84	867.42
Support Services	1127.57	+1.81	+20.00	1.32	0.00	1131.63
Transport	945.48	−0.44	−4.22	2.85	1.81	984.72
NON-CYCLICAL SERVS	1426.45	+1.90	+27.08	1.42	0.44	1462.70
Food & Drug Retailers	1043.02	+0.72	+7.50	2.00	0.50	1060.07
Telecommunications Servs	1428.09	+2.19	+30.60	1.31	0.39	1449.79
UTILITIES	1491.09	−0.67	−10.05	2.99	4.25	1585.92
Electricity	1140.71	−0.62	−5.06	3.12	3.42	1180.77
Gas Distribution	1219.05	−0.91	−11.20	1.57	1.00	1343.32
Water	987.61	−1.10	−11.46	5.18	5.94	1008.55
FINANCIALS	1311.07	+1.47	+19.08	2.54	2.01	1348.59
Banks	921.33	+1.73	+15.64	3.27	2.49	986.97
Insurance	994.86	+1.06	+10.42	1.37	0.00	1006.86
Life Assurance	1161.09	+1.76	+20.41	1.87	0.00	1195.43
Investment Companies	1017.64	+0.09	+0.92	1.75	0.00	1042.25
Real Estate	699.03	+1.63	+11.19	3.80	1.67	718.90
Speciality & Other Fin	887.92	+0.21	+1.89	2.84	0.80	902.74
INFORMATION TECH	930.15	+0.24	+2.21	0.66	0.04	951.49
Information Tech Hardware	1012.30	+0.33	+3.29	0.71	0.00	1014.71
Software & Computer Serv	838.26	+0.00	+0.03	0.45	0.15	840.41

Further information is available on http://www.ftse.com. © FTSE International Limited 1999. All rights reserved. "FT-SE" and "Footsie" are registered trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. "Eurotop" is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International.

■ THREE MONTH EURIBOR FUTURES (LIFFE) €1m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.960	96.955	-0.010	96.965	96.950	27305	152398
Jun	97.100	97.085	-0.020	97.110	97.075	28930	138006
Sep	97.140	97.120	-0.025	97.150	97.115	15973	100708
Dec	96.875	96.860	[illegible]	96.885	96.855	[illegible]	[illegible]

■ THREE MONTH EURO LIBOR FUTURES (LIFFE) €1m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.960	96.955	-0.010	96.965	96.950	1403	120142
Jun	97.100	97.085	-0.020	97.100	97.090	1810	107409
Sep	97.140	97.120	-0.025	97.140	97.140	6	94191
Dec	96.880	[illegible]	[illegible]	96.880	96.880	15	87094

■ THREE MONTH EURO LIBOR OPTIONS (LIFFE) €1m 100-rate

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Mar	PUTS Jun	PUTS Sep	PUTS Dec
96875								
97000	0.120	0.200	0.140	0.255	0.035	0.080	0.260	0.215
97125								
97250	0.025	0.090	0.070	0.140	0.190	0.220	0.480	0.360

Est. vol. total, Calls 600 Puts 0. Previous day's open int., Calls 284698 Puts 188914

■ FTSE EUROTOP 100 INDEX FUTURES (LIFFE) €20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	2858.0	2880.0	+20.0	2882.0	2858.0	81	7374
Jun	2875.0	2894.0	+20.0	2875.0	2875.0	1	2

■ EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) €10 per index point

	2600 C	2600 P	2650 C	2650 P	2700 C	2700 P	2750 C	2750 P	2800 C	2800 P	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P
Mar	298	18	249	23	208	31	165	41	128	56	97	73	[illegible]	[illegible]	47	125
Apr	325	47	285	56	247	63	210	82	177	98	149	117	119	140	[illegible]	[illegible]

Est vol total 2 . Prev day's open interest total: 8,749 . Premiums shown are based on settlement prices.

OTHER INDICES

	Feb 24	Feb 23	Feb 22	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	3547.88	3501.76	3441.39	3670.82	3435.07	3670.82	2439.07
DJ Euro Stx 50	3558.09	3537.81	3470.80	3665.36	3419.29	3665.36	2419.25
MSCI Europe	(u)	1218.77	1200.80	1315.56	906.59	1315.66	810.78

Source: Financial Times Information. *Subject to revision next day. (u) unavailable.

FTSE EUROTOP 300

Name	Price (Euro)	Chge + or −	Mkt cap Euro(bn)	Vol (m)	Yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes

Price data and market capitalisations supplied by FTSE International. Market capitalisation figures are based on shares used in index calculations. Shares are not counted where foreign ownership restrictions apply. Market caps may include secondary lines not eligible as constituents. Stocks in bold type are domiciled in Euro countries. Trading Volumes and yields derived from local domestic markets and supplied by Financial Times Information. Company classifications are based on those used for the FTSE Eurotop share indices.

CURRENCIES & MONEY

EURO SPOT FORWARD AGAINST THE EURO

Feb 24		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA
Europe												
Czech Rep.	(Koruna)	37.9764	+0.1534	[illegible]	38.1130	37.7800	38.1451	−4.6	38.4480	−4.6	39.8097	−4.8
Denmark	(DKr)	7.4342	−0.0008	310 - 373	7.4373	7.4345	7.4366	−0.4	7.4418	−0.4	7.4683	−0.5
Greece	(Dr)	322.819	−0.7400	496 - 742	323.350	321.846	324.5277	−6.7	[illegible]	[illegible]	341.8939	[illegible]
Hungary	(Forint)	250.441	+0.4810	[illegible]	252.310	249.530	252.8474	−11.8	258.0880	−12.3	280.1373	−11.4
Norway	(NKr)	8.6535	−0.0051	480 - 625	8.6855	8.6299	8.6804	−4.4	8.7455	−4.1	8.9157	−3.8
Poland	(Zloty)	4.2684	+0.0114	[illegible]	4.2988	4.2300	-	-	-	-	-	-
Romania	(Leu)	14028.49	+228.9800	253 - 648	-	-	-	-	-	-	-	-
Russia	(Rouble)	25.1657	+0.0039	[illegible]	25.4058	25.1112	-	-	-	-	-	-
Slovakia	(Koruna)	43.9482	+0.0992	[illegible]	44.0103	43.8345	-	-	-	-	-	-
Sweden	(SKr)	8.9296	+0.0255	221 - 371	8.9371	8.8970	[illegible]	−0.1	8.9334	−0.1	8.9511	−0.2
Switzerland	(SFr)	[illegible]	−0.0018	[illegible]	1.5952	[illegible]	1.5895	1.7	1.5852	[illegible]	1.5674	1.6
UK	(£)	0.6851	+0.0036	[illegible]	0.6887	0.6798	0.6866	−2.1	0.6880	−2.2	0.6997	−2.1
Americas												
Argentina	(Peso)	1.0953	−0.0027	[illegible]	[illegible]	1.0943	-	-	-	-	-	-
Brazil	(R$)	2.1962	−0.0438	902 - 022	2.2092	2.1671	-	-	-	-	-	-
Canada	(C$)	1.6423	−0.0032	416 - 429	1.6592	1.6394	1.6450	[illegible]	1.6504	−1.9	1.6776	−2.1
Mexico	(New Peso)	10.8856	[illegible]	775 - [illegible]	10.9830	10.8717	11.1060	−23.4	[illegible]	−25.0	13.6630	−24.9
USA	($)	1.0954	[illegible]	[illegible]	1.1046	1.0945	[illegible]	−1.6	[illegible]	−1.9	1.1201	−2.2
Pacific/Middle East/Africa												
Australia	(A$)	[illegible]	+0.0155	[illegible]	1.7510	1.7131	1.7363	−1.5	1.7413	−1.6	1.7678	−1.9
Hong Kong	(HK$)	8.4876	−0.0207	[illegible]	8.5521	8.4854	8.5091	[illegible]	8.5556	−3.0	8.8922	−4.8
India	(Rs)	46.6236	+0.0169	020 - 452	47.0195	46.3411	46.9998	−8.1	47.7582	[illegible]	51.6142	−10.1
Indonesia	(Rupiah)	9852.78	−92.4300	950 - 606	9926.10	9809.50	9904.09	−26.8	10487.48	−35.1	12895.27	−35.6
Israel	(Shk)	4.4392	−0.0147	[illegible]	4.4857	4.4278	-	-	-	-	-	-
Japan	(Y)	133.501	+0.4230	[illegible]	134.000	132.900	133.1413	2.7	132.5430	2.9	129.7960	2.8
Malaysia	(M$)	4.1623	[illegible]	404 - [illegible]	[illegible]	4.1592	-	-	-	-	-	-
New Zealand	(NZ$)	2.0615	+0.0195	[illegible]	2.0794	2.0389	2.0647	−1.5	2.0703	−1.4	2.1023	−1.9
Philippines	(Peso)	42.7735	[illegible]	[illegible]	43.3003	42.5761	43.0996	−8.9	43.8032	−9.4	47.0018	[illegible]
Saudi Arabia	(SR)	4.1098	−0.0069	083 - 112	[illegible]	4.1054	4.1273	−3.5	4.1555	−3.7	4.2954	−4.3
Singapore	(S$)	1.8917	+0.0014	[illegible]	1.9041	[illegible]	1.8914	0.6	1.8885	0.6	1.8935	−0.1
South Africa	(R)	6.7857	−0.0308	787 - 927	6.8544	6.7698	6.8318	−11.7	6.9891	−11.9	7.5517	−11.3
South Korea	(Won)	1333.59	+3.3000	[illegible]	1344.30	1331.84	-	-	-	-	-	-
Taiwan	(T$)	36.3169	+0.0203	[illegible]	36.5430	36.2220	36.5554	[illegible]	36.8168	−4.5	37.9802	−4.1
Thailand	(Bt)	41.1907	−0.0082	[illegible]	41.4777	40.6926	41.5582	−11.9	41.9678	[illegible]	43.6696	−6.3
UAE	(Dirham)	4.0231	−0.0100	[illegible]	4.3350	4.02200	4.0296	−1.8	4.0434	−1.9	4.1192	−2.3

Euro Locking Rates: Austrian Schilling 13.7603, Belgium/Luxembourg Franc 40.3399, Finnish Markka [illegible], French Franc [illegible], German Mark [illegible], Irish Punt [illegible], Italian Lira 1936.27, Netherlands Guilder 2.20371, Portuguese Escudo 200.482, Spanish Peseta 166.386. Bid/offer spreads in the Euro Spot table show only the last three decimal places. Bid, offer, mid spot rates and forward rates are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.

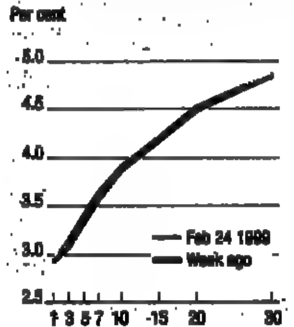
BONDS

INTEREST RATE SWAPS

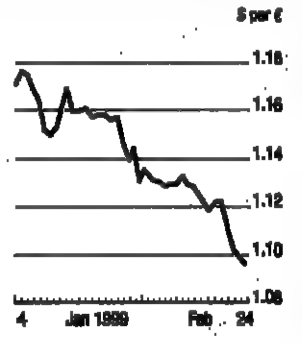
Feb 24	Euro-€ Bid	Euro-€ Ask	£ Stlg Bid	£ Stlg Ask	SwFr Bid	SwFr Ask	US $ Bid	US $ Ask	Yen Bid	Yen Ask
1 year	3.05	3.08	5.26	5.29	1.45	1.49	5.31	5.34	0.30	0.33
2 year	3.11	3.15	5.12	5.15	1.68	1.76	5.47	5.50	0.44	0.47
3 year	3.26	3.30	5.10	[illegible]	[illegible]	2.00	5.54	[illegible]	0.69	0.72
4 year	3.42	3.46	5.08	5.12	2.12	2.20	5.59	[illegible]	0.97	1.00
5 year	3.58	3.62	5.05	5.09	2.30	2.38	5.64	5.67	1.24	1.27
6 year	3.73	3.77	5.05	5.09	2.47	2.55	5.69	5.72	1.50	1.53
7 year	3.86	3.90	5.04	5.08	2.64	2.72	5.73	5.76	1.72	1.76
8 year	3.98	4.02	5.04	5.08	2.79	2.87	5.76	5.79	[illegible]	1.93
9 year	4.08	4.12	5.04	5.08	2.94	3.02	5.80	5.83	2.03	2.06
10 year	4.16	4.20	[illegible]	5.08	3.08	3.16	5.83	5.86	2.17	2.20
12 year	[illegible]	4.35	5.06	5.10	3.31	3.41	5.90	5.93	2.39	2.43
15 year	4.51	4.55	5.07	5.12	3.56	3.66	5.98	6.01	2.66	2.71
20 year	4.72	4.76	5.07	5.13	3.81	3.91	6.07	6.10	2.85	2.90
25 year	4.85	4.89	5.07	5.14	3.92	4.02	6.07	6.10	2.94	2.99
30 year	4.92	4.96	5.07	5.14	4.01	[illegible]	6.07	6.10	3.00	3.05

Bid and ask rates are as of close of London business. US $ is quoted annual money actual/360 basis against 3 months Libor, £ and Yen quoted on a semi-annual actual/365 basis against 6 months Libor, Euro/Swiss Franc quoted on annual bond 30/360 basis against 6 month Euribor/Libor with the exception of the 1 year rate which is quoted against 3 month Euribor/Libor. Source: Intercapital Brokers Ltd.

Euro bond yield curve



Euro against the dollar



Source: Interactive Data/FT Information

EURO-ZONE BONDS

Feb 24	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ SOVEREIGNS								
UK	01/01	4.250	AAA	102.021	3.14	+0.04	+0.18	+0.14
Denmark	01/02	4.750	AA+	104.024	3.25	+0.04	+0.20	+0.16
Sweden	02/01	5.000	AA+	103.405	3.16	+0.04	+0.18	+0.16
Greece	11/08	6.750	BBB	115.007	4.40	+0.03	+0.21	+0.62
■ SUPRANATIONALS								
ADB	10/07	[illegible]	AAA	108.383	4.31	+0.02	+0.22	+0.62
EIB	04/08	5.000	AAA	107.099	4.05	+0.02	+0.22	+0.28
Eurofima	12/08	5.625	AAA	109.742	4.47	+0.03	+0.24	+0.70
World Bank	04/05	7.125	AAA	117.979	3.77	+0.03	+0.18	+0.31
■ UTILITIES								
EDF	10/03	3.750	n/a	101.228	3.46	+0.03	+0.17	+0.25
TEPCO	02/03	4.750	AA	103.502	3.79	+0.05	+0.19	+0.58
Quebec Hydro	03/08	5.375	A+	105.583	4.60	+0.03	+0.23	+0.81
Norsk Hydro	10/08	7.250	A	102.110	3.62	+0.03	+0.11	+0.58
■ FINANCIALS								
Nat West	02/10	5.375	AAA	108.392	4.39	+0.03	+0.24	+0.44
OKB	09/07	5.750	AAA	111.021	4.10	+0.02	+0.21	+0.41
Credit Local	04/08	5.250	AA+	[illegible]	4.39	+0.03	+0.26	+0.60
Abbey Natl	01/09	5.000	AA−	102.322	4.70	+0.03	+0.24	+0.61
■ INDUSTRIALS								
Unilever	10/01	5.125	AAA	104.271	3.38	+0.03	+0.15	+0.38
McDonalds	03/08	5.125	AA	105.769	4.34	+0.02	+0.60	+0.55
Philip Morris	08/08	5.625	A	105.247	4.91	+0.09	+0.27	+1.12
BAT Int Fin	07/08	5.375	A−	103.245	4.84	+0.03	+0.08	+1.08
■ PFANDBRIEFE								
Rhein Hypo	12/01	5.600	n/a	106.814	3.28	+0.02	+0.12	+0.35
Eurohypo AG	01/04	5.000	n/a	106.392	3.55	+0.01	+0.19	+0.23
Bayer Vereins	01/08	6.000	n/a	112.746	3.86	+0.01	+0.26	+0.28
Depfa	07/08	4.750	n/a	104.594	4.15	+0.00	+0.24	+0.38
■ HIGH YIELD								
Geberit	04/07	10.125	B+	108.491	8.42	+0.04	+0.48	+4.73
Colt Telecom	11/07	8.875	n/a	106.789	7.79	−0.06	−0.69	+4.10
Impress Metal	05/07	9.875	B	101.627	9.58	+0.06	+1.69	+5.89
Remy Cointreau	07/05	10.000	B+	99.300	10.15	−0.01	−1.09	+6.89

Standard & Poor's ratings. Source: Interactive Data/FT Information.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	9.45	29.85	29.98	[illegible]
0100	25.06	46.77	46.90	0.87
0130	25.06	46.77	46.90	[illegible]
0200	25.06	46.77	46.90	0.87
0230	25.06	46.77	46.90	0.87
0300	25.06	29.85	29.98	0.87
0330	25.06	21.36	21.49	0.87
0400	24.40	21.36	21.49	0.87
0430	24.40	21.36	21.49	0.87
0500	20.72	21.36	21.49	0.87
0530	11.78	13.55	13.68	0.87
0600	11.78	12.11	12.24	0.87
0630	19.63	23.22	23.35	0.87
0700	19.63	41.92	42.05	0.87
0730	[illegible]	56.84	56.96	0.87
0800	[illegible]	56.85	56.98	0.87
0830	45.94	103.27	103.40	[illegible]
0900	45.94	103.27	[illegible]	0.87
0930	[illegible]	50.85	50.98	0.87
1000	63.23	50.86	50.99	0.87
1030	63.23	50.85	50.98	0.87
1100	63.24	50.85	50.98	0.87
1130	63.24	45.94	46.07	0.87
1200	48.16	45.94	46.07	0.87
1230	67.87	56.86	56.99	0.87
1300	52.61	56.85	56.98	[illegible]
1330	43.08	41.98	42.11	0.87
1400	43.08	41.98	42.11	0.87
1430	43.08	41.98	42.11	0.87
1500	43.06	41.98	42.11	0.87
1530	43.08	[illegible]	42.11	0.87
1600	43.08	41.98	42.12	0.87
1630	48.20	42.07	42.23	0.87
1700	47.77	48.41	49.42	0.87
1730	48.95	71.80	73.56	0.87
1800	53.80	73.56	75.32	0.87
1830	61.58	71.16	72.36	0.87
1900	61.48	74.07	74.62	0.87
1930	[illegible]	73.32	73.53	0.87
2000	57.38	58.89	57.03	0.87
2030	47.93	45.93	48.08	0.87
2100	47.93	48.07	48.20	0.87
2130	[illegible]	42.49	42.63	0.87
2200	26.65	42.49	42.63	0.87
2230	26.65	25.53	25.66	0.87
2300	20.55	25.53	25.66	0.87
2330	20.55	21.89	22.02	0.87
2400	12.06	21.89	22.02	0.87

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.60/MWh becomes 1.660p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising [illegible] system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone [illegible] between 8.30am and 5.15pm Monday to Friday.
©Energy Settlements and Information Services Limited

LEGAL NOTICES

No. 007734 of 1994

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
SCAN RE INSURANCE COMPANY LIMITED
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN THAT following consultation with the creditors committee the "payment percentage" under the scheme of arrangement between Scan Re Insurance Company Limited and its Scheme Creditors (as defined in the scheme of arrangement) has been increased from 12.5% to 20% with immediate effect.

Persons with claims should submit them to the company in the normal way at the following address:

Scan Re Insurance Company Limited
44/46 Old Steine
Brighton BN1 1NH

February 1999

Gareth Howard Hughes and
Nigel James Hamilton
Joint Scheme Administrators
Ernst & Young
Rolls House
7 Rolls Buildings
Fetter Lane London EC4A 1NH

Tokyo may delay bank reform bonds

By Gillian Tett and Naoko Nakamae in Tokyo

The Japanese government is considering delaying its plans to issue bonds to fund banking reform after Japanese investors warned that the move could damage the markets this spring.

In particular, the government is considering putting off any issuance until after June, because local governments are expected to make larger than expected bond issues between March and May to fund their own growing deficits.

A final decision on the issuance of bank reform bonds is unlikely to emerge for several weeks. But the fact that it is under discussion highlights the problems the government faces in financing its planned injection of up to Y25,000bn into the capital bases of the banks.

The dilemma also indicates the concern felt in the Ministry of Finance about growing government debt. As one senior government official said: "If we issue several trillion of bonds before June, there could be overcrowding in the market."

The question is particularly critical because the government plans to inject around Y7,450bn worth of funds into large Japanese banks by the end of March.

The Financial Reconstruction Commission, the body organising financial reform, had hoped this would be funded through Bank of Japan loans to the Deposit Insurance Corporation, another government body.

However, the BoJ opposes this, and Hakuo Yanagisawa, FRC head, now acknowledges that most of the Y7,450bn will probably be raised in the markets. Other government officials have warned this will force the DIC to issue several trillion yen of securities, probably four-year government-guaranteed bonds.

The DIC has tried to persuade Japanese life assurance companies, banks and brokers to buy the bonds but the response has been unenthusiastic, since investors face their own funding squeeze by the end of the fiscal year.

Consequently, the DIC is considering delaying issuance until the summer, and wants to plug the financing gap with BoJ bridging loans and short-term loans from Japanese and western banks. The BoJ still insists the DIC must issue bonds later in the year but acknowledges there could be a "bottleneck" problem this spring.

Between March and May local governments are expected to issue almost Y6,000bn in bonds to regional banks and other institutions through private placements.

They are also set to issue additional bonds to compensate for the shortfall in tax revenues. In fiscal 1998 these "revenue shortfall" bonds were only Y600bn. However, this is expected to rise sharply this year.

The Tokyo Metropolitan Government, which has not issued any in fiscal 1999, said yesterday it would issue such bonds next year. Quoting preliminary figures, one official said issuance could be up to Y135bn. Another large prefecture has also said it will raise issuance by almost 40 per cent next year.

World Bank raises $1bn

NEW ISSUES

By Khozem Merchant

The World Bank kept up the pace of recent issuance of short-dated paper with a $1bn bond maturing over three years.

The demand for short-dated paper was given impetus after testimony by Alan Greenspan, chairman of the US Federal Reserve, earlier this week.

Bankers say investors prefer the safety of a liquid position in short-dated paper, rather than the long end, because of uncertainty over US interest rates.

A two-year $3bn bond by Federal Home Loan Banks, priced at 32 basis points over the relevant Treasury and launched earlier this week, was typical of the trend.

The World Bank bond was priced at 30 basis points over Treasuries. ABNAMRO, lead manager, said the target audience was central banks. Italian regional banks, which like the World Bank credit and have been active buyers of dollar paper recently, were among the heaviest investors.

Deutsche Apotheker-und Aertzebank, a specialised bank for the German medical profession, launched its debut dollar issue, the latest move to make itself known to investors outside Germany. Earlier this year it launched its debut euro issue and yesterday continued its foray into non-domestic currencies with a five-year $300m bond.

Not only has the bank stuck to a German investor base, it has stuck loyally to a client base of high net-worth doctors, dentists and pharmacists, and steered clear of Asia and Latin America, which suits investors.

The privatised German port of Rostock launched a debut high-yield €50m bond. The 10-year offering, which was priced to yield a spread of 622 basis points over the 10-year German bund, was rated Ba3 by Moody's Investors Service, giving it "junk bond" status.

High-yield issuance has been rare this year, with investment grade issuance by ports even more rare.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
CART 1999-1(a)	2.827bn	-	-	-	-	-	CSFB/Merrill Lynch
World Bank	1bn	5.25	99.702R	Mar 2002	0.1875R	+30(5% 2yr)	ABN Amro
CHELT 1999-1(b)	850	-	-	-	-	-	Bear Stearns
Statoil AS	375	5.75	98.675R	Mar 2009	0.35R	+72(4%Nov08)	Warburg Dillon Read
Barclays Bank plc(c)‡	350	(c1.)	99.504R	Apr 2009	0.35R	-	Barclays Capital
Inter-American Dev Bank(d)	350	6.125#	99.61R	Feb 2001	0.15R	+33(4%Jan01)	Goldman/Warburg DR
Deutsche Apo-& Aertzebk‡	300	(g)	99.975R	Mar 2004	0.175R	-	ABN Amro/Barclays
Crédit Local de France(h)	100	(h1)	100.00R	Mar 2009	0.28R	-	Morgan Stanley DW
■ EUROS(e)							
Morgan Guaranty Trust Co	500	4.375	99.857R	Mar 2009	0.375R	+50(3%Jan08)	JP Morgan Securities
Republic of Turkey	500	9.50	99.50R	Mar 2004	0.825R	-	Deutsche/Paribas
Sodexho Alliance(f)	300	4.625	99.16R	Mar 2009	0.40R	+60(f)	Banque CPR
Travelers Ins Co Inst Fndg	300	4.50	99.818R	Mar 2009	0.35R	+67(3%Jan08)	Salomon Smith Barney
Finmeccanica(j)‡	300	(j1)	100.00R	Mar 2002	0.45R	-	Merrill Lynch International
National Australia Bank‡	200	(k)	99.978R	Mar 2001	0.075R	-	Salomon Smith Barney
City of Copenhagen	75	2.50	98.75	Mar 2003	1.75	-	HypoVereinsbank
Port of Rostock(m)	50	9.875	99.23	Mar 2009	1.90	-	Merrill Lynch International
■ SWISS FRANCS							
City of Yokohama	115	3.25	102.35	Mar 2009	2.75	-	CSFB/MEJ
■ GREEK DRACHMA							
Merrill Lynch & Co Inc	10bn	8.00	99.25r	Mar 2009	0.50r	-	Merrill Lynch International

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Capital Auto Receivables Trust. 4-tranche asset-backed. b) Contimortgage Home Equity Loan Trust. 8-tranche asset-backed. c) Callable on 15/4/04 at par. c1) 3-mth Libor +45bp to Apr 04, then +95bp. d) Fungible with $1bn. Plus 11 days accrued. e) Spread relates to German govt bonds unless stated. f) Spread re French govt bonds. g) 3-mth Libor +15bp. h) Callable annually from 12/3/00 at par. h1) 8% in yr 1, then 6%. i) Over interpolated yield. j) Issued via Aeradeque SA Lux. j1) 6-mth Euribor +70bp. k) 3-mth Euribor flat. l) Long 1st coupon. m) Amortises after 5 yrs in 6 equal annual instalments. Callable from 4/3/04 at 105%-falling 1%pa. r) Recommended reoffer. s) Short 1st coupon.

Turkey says low ratings not justified

By Leyla Boulton in Ankara

Turkey said its launch yesterday of a €500m bond, its first denominated in euros, was yet another sign that it is under-rated by credit rating agencies.

Aydin Karaöz, the senior treasury official responsible for foreign economic relations, said Turkey's low rating was not justified either by its history as a prompt payer or by the fact its bonds outperformed the emerging market bond index.

"When you talk to market players you will probably not find any who would agree with the single B rating we are carrying," Mr Karaöz said in an interview. "All we can do with other market players is take it at face value and try to live with it."

Charles Blitzer, chief international economist at Donaldson Lufkin and Jenrette, agreed. "On a comparative basis, Turkey is under-ranked," he said.

Mr Blitzer noted that Turkey had been one of the beneficiaries of a growing differentiation among investors towards emerging markets over the past six weeks.

The fact that investors were "taking another look at Turkey" was evident both in the Turkish stock market's recent rally and in yesterday's five-year bond issue, priced to yield 9.5 per cent.

In contrast, Mr Blitzer said Croatia was obliged earlier this week to put a wide yield spread on a bond issue in order to attract investors.

Turning to the prospects of an agreement with the International Monetary Fund later this year, Mr Karaöz said that Turkey's chances of signing a deal were high.

A Turkish delegation flies to Washington next week to begin working with the Fund on the parameters of an anti-inflation programme that could be put in place after elections on April 18.

Turkish wholesale price inflation fell to 54.3 per cent last year, with a target of 35 per cent set for the end of 1999.

A deal with the IMF would be useful, mostly from a psychological point of view, Mr Karaöz said. It could provide the next government with moral support for pushing through important structural reforms, such as an overhaul of Turkey's costly social security system, under which retirement starts at 38 for women and 42 for men at a cost of $6bn a year.

An accord could also boost the confidence of international financial markets and further lower Turkey's cost of borrowing.

However, Mr Karaöz also emphasised that an agreement with the IMF providing Turkey with external financial support was "not a matter of life and death".

This was because high domestic interest rates, fuelled by political uncertainty, which have fallen this year to 120 per cent from highs of 140 per cent, were unlikely to persist after the elections.

"Is it sustainable to pay interest rates in the area of more than 120 per cent? Of course not. But there is no reason for interest rates not to come down," Mr Karaöz said.

Greenspan leaves Treasuries flat

BENCHMARK BONDS

By Florian Gimbel in London and John Labate in New York

US Treasury prices were flat yesterday, with Alan Greenspan, chairman of the Federal Reserve, producing little to surprise the markets in the second day of his Humphrey-Hawkins testimony.

In a statement yesterday, Mr Greenspan appeared keen to dispel the notion that the Fed was using the bond market as a conduit for its monetary policy, but analysts remained divided over the implications of the Fed's latest policy move.

"By keeping interest rates on hold, Greenspan is letting the bond market do the job [of monetary tightening]," said Commonwealth Bank of Australia's James McKay.

"The US economy is more sensitive to long-term bond yields than short-term interest rates. And talking the bond market down means talking mortgage rates up, which should, in turn, calm the overheating consumer sector," Mr Kay said.

David Brown at Bear Stearns disagreed. "The recent sell-off in the Treasury market [on Tuesday] has clearly been an over-reaction. There is still a high-growth-and-low-inflation scenario in the US, which is creating a virtuous environment for bonds," he said.

By early afternoon the benchmark 30-year bond was unchanged at 97¾, yielding 5.426 per cent. The two-year note was down ⅛ to 99⅛, sending the yield up to 5.014 per cent.

The lacklustre US market sentiment and the ongoing row between euro-zone politicians and the European Central Bank over the future direction of monetary policy continued to weigh on European bonds.

The benchmark 10-year German bund future ended 0.28 lower at 115.82, down from 116.10 previously.

UK gilts also closed slightly lower yesterday as markets digested the implications of the government's euro change-over plans. The 10-year gilt future ended 0.19 lower at 117.67.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Feb 24	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	105.6622	4.87	+0.05	+0.07	+0.27	-0.14
	08/08	8.750	124.3924	5.42	+0.06	+0.05	+0.49	-0.39
Austria	08/01	5.250	104.1900	3.11	+0.03	+0.04	+0.16	-0.93
	01/08	5.000	107.2900	4.01	+0.03	-0.02	+0.21	-1.04
Belgium	03/01	5.000	103.8000	3.07	+0.02	+0.14	+0.18	-0.95
	03/09	3.750	97.2400	4.09	+0.01	-	+0.32	-0.84
Canada	12/00	5.000	99.8000	5.12	-	+0.11	+0.26	+0.03
	06/08	6.000	105.8200	5.20	+0.02	+0.08	+0.28	-0.29
Denmark	11/00	9.000	108.9700	3.46	+0.06	-0.05	+0.08	-0.86
	11/09	6.000	114.3800	4.27	+0.03	+0.05	+0.30	-0.88
Finland	08/00	4.000	101.2620	2.89	+0.03	-0.02	+0.12	-0.85
	04/09	5.000	107.4240	4.09	+0.05	+0.01	+0.27	-0.85
France	07/00	4.000	101.3000	3.00	+0.04	-0.02	+0.13	-0.87
	04/05	7.250	122.4900	3.82	+0.03	+0.03	+0.24	-1.07
	04/09	4.000	100.2100	3.97	+0.02	+0.01	+0.26	-1.01
	04/29	5.500	110.4300	4.85	+0.01	-0.03	+0.26	-0.71
Germany	05/01	5.000	104.2300	3.01	+0.06	+0.05	+0.14	-0.82
	01/06	6.000	113.5500	3.72	+0.03	+0.03	+0.25	-1.01
	01/09	3.750	99.0000	3.87	+0.01	-0.05	+0.22	-1.06
	07/28	4.750	95.9600	4.82	+0.03	-0.04	+0.25	-0.72
Greece	03/00	8.600	100.2800	8.47	-0.17	+0.01	-0.49	-5.70
	01/08	6.300	102.5000	5.95	-0.14	-0.20	-0.30	-4.64
Ireland	10/01	6.500	108.3600	3.14	+0.02	-0.06	+0.12	-1.64
	08/08	6.000	115.1000	4.05	+0.01	-0.06	+0.21	-1.14
Italy	07/01	4.500	103.0400	3.13	+0.02	-	+0.16	-1.55
	07/03	4.500	104.3600	3.42	+0.01	-0.05	+0.16	-1.45
	08/08	4.500	102.0800	4.08	+0.01	-0.05	+0.18	-1.25
	11/27	6.500	122.9400	4.99	+0.01	-0.05	+0.21	-0.82
Japan	12/00	6.900	111.7680	0.32	-	-0.06	-0.24	-0.32
	12/03	4.100	114.0680	1.08	+0.01	-0.13	-0.19	-0.15
	06/08	1.800	99.3980	1.87	+0.01	-0.06	+0.09	+0.21
	09/18	2.300	92.6520	2.79	+0.02	-0.08	+0.16	+0.29
Netherlands	01/01	8.000	110.6800	3.09	+0.02	+0.05	+0.14	-0.91
	07/08	3.750	98.1100	3.97	+0.03	-0.02	+0.22	-0.95
New Zealand	02/01	8.000	105.4050	5.03	+0.04	+0.08	+0.08	-2.66
	07/09	7.000	109.9100	5.72	+0.06	+0.12	+0.29	-1.18
Norway	05/01	7.000	104.2500	4.94	-	+0.02	-0.26	+0.80
	05/09	5.500	105.8500	4.76	+0.02	-0.09	-0.14	-0.44
Portugal	03/00	5.375	102.4500	2.98	+0.05	-0.14	-	-1.10
	06/08	5.375	109.9300	4.07	+0.08	-0.02	+0.20	-1.09
Spain	01/01	5.000	103.7100	2.99	+0.02	+0.02	+0.09	-1.46
	07/08	6.150	106.6800	4.34	+0.01	+0.27	+0.61	-0.81
Sweden	05/00	10.250	107.8880	3.26	+0.01	+0.01	+0.02	-1.33
	05/08	6.500	117.3270	4.16	+0.07	-0.02	+0.27	-1.21
Switzerland	06/00	4.500	104.0000	1.30	-0.06	-0.08	-0.05	-0.04
	01/08	4.250	116.3500	2.20	-0.01	-0.14	-0.05	-0.55
UK	11/01	7.000	105.7500	4.70	+0.02	-	+0.14	-1.98
	12/03	6.500	106.7700	4.44	-	-0.06	+0.21	-1.72
	12/09	5.750	111.9200	4.35	+0.03	-0.16	+0.13	-1.70
	12/28	6.000	127.1100	4.38	+0.03	-0.02	+0.12	-1.62
US	01/01	4.500	99.0699	5.01	+0.05	+0.08	+0.38	-0.69
	02/04	4.750	98.7225	5.04	+0.02	+0.03	+0.42	-0.71
	11/08	4.750	97.3478	5.10	+0.01	-	+0.35	-0.65
	02/29	5.250	97.3483	5.43	-0.05	-0.07	+0.22	-0.57

London closing. * New York mid-day. Source: Interactive Data/FT Information

Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Feb 24	Bid Yield	Spread vs Euros	Spread vs T-Bonds		Bid Yield	Spread vs Euros	Spread vs T-Bonds
Australia	5.43	+1.54	+0.33	Netherlands	4.01	+0.12	-1.09
Austria	4.14	+0.25	-0.96	New Zealand	5.73	+1.84	+0.63
Belgium	4.07	+0.18	-1.03	Norway	4.76	+0.87	-0.34
Canada	5.20	+1.31	+0.10	Portugal	4.13	+0.24	-0.97
Denmark	4.20	+0.31	-0.90	Spain	4.16	+0.27	-0.94
Finland	4.09	+0.20	-1.01	Sweden	4.21	+0.32	-0.89
France	3.95	+0.06	-1.15	Switzerland	2.35	-1.53	-2.74
Germany	3.89	-	-1.21	UK	4.38	+0.49	-0.72
Greece	6.15	+2.26	+1.05	US	5.10	+1.21	-
Ireland	4.09	+0.20	-1.01				
Italy	4.08	+0.19	-1.02				
Japan	1.91	-1.98	-3.19				

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis.

EMERGING MARKET BONDS

Feb 24	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
■ EUROPE								
Croatia	02/02	7.000	BBB-	94.2377	9.25	-0.13	-0.62	+4.23
Poland	07/04	7.125	BBB-	105.6565	5.85	+0.02	-0.11	+0.81
Russia	06/07	10.000	n/a	28.7800	42.15	+2.39	-0.47	+37.07
■ LATIN AMERICA								
Argentina	09/27	9.750	BB	82.2400	11.94	-0.15	-0.79	+6.54
Brazil	05/27	10.125	B+	66.1500	15.42	+0.40	-2.28	+10.02
Mexico	05/26	11.500	BB	105.4380	10.87	+0.01	-0.60	+5.49
■ ASIA								
China	07/06	7.750	BBB+	101.6562	7.44	-0.06	-0.12	+2.57
Philippines	10/16	8.750	BB+	91.7291	9.74	-0.13	-0.41	+4.63
Thailand	04/07	7.750	BBB-	99.9150	7.76	-0.07	-0.03	+2.59
■ AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB-	102.2300	7.24	-0.08	+1.66	+2.36
South Africa	10/06	8.375	BB+	93.3467	9.64	-0.06	+0.19	+4.15
Turkey	06/07	10.000	B	92.5210	11.08	-0.16	+0.15	+6.62
■ BRADY BONDS								
Argentina	03/23	5.750	BB	68.6750	9.34	-0.02	-0.50	+3.91
Brazil	04/14	5.000	B+	55.8905	14.17	-0.06	-1.23	+8.81
Mexico	12/19	6.250	BB	75.6269	8.80	-0.05	-0.21	+3.33
Venezuela	03/20	6.750	B+	64.3750	11.18	+0.11	-1.04	+5.70

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information

BOND FUTURES AND OPTIONS

France

■ NOTIONAL EURO BOND FUTURES (MATIF) €100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	111.63	111.73	+0.10	111.77	111.43	25,075	92,646

■ LONG TERM EURO BOND OPTIONS (MATIF)

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
109	[illegible]	[illegible]	[illegible]	[illegible]
110	[illegible]	[illegible]	[illegible]	[illegible]
111	[illegible]	[illegible]	[illegible]	[illegible]
112	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol. total [illegible]

Germany

■ NOTIONAL GERMAN BUND FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	116.00	115.82	-0.28	116.17	115.76	467,105	544,065

■ NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	109.18	108.99	-0.24	109.22	108.98	143,882	239,978

■ NOTIONAL LIFFE BUND FUTURES (LIFFE) 5yr 4.0% DM250,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	-	101.74	+0.06	-	-	0	1015

■ NOTIONAL LIFFE BUND FUTURES (LIFFE) 10yr 4.0% DM250,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	-	102.50	+0.31	-	-	0	940

Also traded on APT. All Open Interest figs. are for previous day.

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE) Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF) €100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK

■ NOTIONAL 5 YEAR GILT FUTURES (LIFFE) £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ NOTIONAL UK GILT FUTURES (LIFFE) £100,000 100ths of 100%

	Open	Close	Change	High	Low	Est. vol.	Open int.
Mar	[illegible]	117.67	-0.19	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ LONG GILT FUTURES OPTIONS (LIFFE) £100,000 100ths of 100%

Strike Price	Calls Apr	Calls May	Puts Apr	Puts May
11800	[illegible]	[illegible]	[illegible]	[illegible]
11850	[illegible]	[illegible]	[illegible]	[illegible]
11900	[illegible]	[illegible]	[illegible]	[illegible]
11950	[illegible]	[illegible]	[illegible]	[illegible]
12000	[illegible]	[illegible]	[illegible]	[illegible]
12050	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol. total [illegible]

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Euro

■ € BOND FUTURES (MATIF) €100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

US CORPORATE BONDS

Feb 23	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ UTILITIES								
Pac Bell	07/02	7.25	AA-	105.1654	5.55	+0.07	+0.31	+0.55
NY Tel	08/25	7.00	A+	100.0384	6.99	+0.04	+0.35	+1.57
CMS	09/08	8.00	BBB	113.2768	6.09	+0.06	+0.26	+1.01
■ FINANCIALS								
GECC	05/07	8.75	AAA	118.4466	5.88	+0.04	+0.36	+0.89
Banc One	08/02	7.25	A	104.5121	5.77	+0.07	+0.19	+0.77
CNA Fin	01/18	6.95	A-	94.1587	7.51	+0.05	+0.53	+2.11
■ INDUSTRIALS								
WMX Tech	04/00	6.25	BBB+	100.0220	5.86	-0.01	+0.20	+1.32
Wal Mart	05/02	8.75	AA	104.4645	5.22	+0.06	+0.28	+5.22
Dayton Hud	06/21	8.70	A-	125.2418	6.64	+0.05	+0.16	+1.22
■ AGENCIES								
FHLMC	04/07	7.14	NA	109.8822	5.65	+0.05	+0.32	+0.55
SLMA	03/00	7.50	NA	102.3091	5.18	+0.11	+0.14	+0.64
FNMA	02/18	8.95	NA	133.5421	5.96	+0.05	+0.34	+0.54
FFCB	06/06	8.95	NA	119.9836	5.67	+0.06	+0.38	+0.49
■ HIGH YIELD								
Stone Cont	02/01	9.88	B	101.8750	0.00	-	-	-
AK Stl	12/01	9.13	BB-	105.0250	0.00	-	-	-
Pacific	06/04	10.75	B-	76.5000	0.00	-	-	-

NY latest. Standard & Poor's ratings. Yield: semi-annual basis. Source: Interactive Data/FT Information.

US INTEREST RATES

Latest

		Treasury Bills and Bond Yields			
Prime rate	7¾	One month	-	Two year	5.01
Broker loan rate	6¾	Two month	-	Three year	5.02
Fed.funds	4¾	Three month	4.67	Five year	5.03
Fed.funds at intervention	-	Six month	4.66	10-year	5.09
		One year	4.77	30-year	5.42

INTERNATIONAL BONDS

Feb 24	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
[illegible]								
EIB	04/07	7.250	AAA	109.2489	5.79	+0.02	+0.30	+0.71
ABN Amro	06/07	7.125	AA-	104.5118	6.40	+0.02	-0.07	+1.32
Quebec	01/07	7.000	A+	105.1282	6.17	+0.02	+0.16	+1.09
Citicorp FRN	02/04	5.312	AA-	98.5829	5.64	+0.01	-1.01	+0.60
[illegible]								
Bayer L-Bk	09/04	9.000	AAA	117.4685	5.67	+0.02	+0.34	+0.21
Toronto (M'cp)	05/04	8.500	AA+	112.[illegible]	5.59	+0.02	+0.31	+0.12
Bell Canada	07/09	10.625	A+	101.7237	5.53	+0.04	+0.32	+1.27
Deutsche B FRN	09/02	5.875	AA+	100.4589	5.73	+0.05	+0.30	+0.33
[illegible]								
EIB	12/07	7.625	AAA	118.0623	5.02	-0.04	+0.15	+0.48
Dresdner Bk	12/07	7.750	AA-	113.0726	5.80	-0.04	-0.03	+1.28
British Gas	03/00	7.625	A+	102.9694	5.57	+0.03	-0.04	+0.81
Abbey Nat FRN	02/02	5.687	AA	100.0700	4.24	+0.01	-0.04	-0.41
[illegible]								
EIB	01/08	3.750	AAA	104.4369	3.17	-0.01	-0.08	+0.86
Brit Columbia	02/02	3.250	AA	103.9367	1.87	-0.03	-0.04	+0.29
Hydro-Quebec	05/01	6.750	n/a	109.0920	2.49	-0.05	-0.03	+1.06
Gen Elect	09/01	1.711	n/a	99.5347	1.45	-0.05	-0.04	+0.02
■ YEN								
IBRD (World Bk)	03/02	5.250	AAA	114.4367	0.48	-0.02	-0.19	-0.14
Spain (Kingdom)	03/02	5.750	AA	115.7407	0.66	-0.02	-0.20	-0.07
Cred Foncier	09/02	4.750	A	112.4266	1.05	+0.03	-0.24	+0.43
Italy (Rep of)	07/99	6.516	AA	100.0747	0.30	-0.08	-0.12	+0.02
■ A$								
IBRD (World Bk)	02/08	6.000	AAA	101.1840	5.83	+0.07	+0.52	+0.42
Nsw Sth Wales Tr	05/06	6.500	n/a	103.8512	5.83	+0.06	+0.46	+0.52
S. Aus Gov Fin	06/03	7.750	AA	107.0945	5.84	+0.06	+0.32	+0.73
GMAC Aust	05/01	8.000	n/a	105.7275	5.68	+0.04	+0.18	+0.72

London closing. Source: Interactive Data/FT Information. Standard & Poor's ratings. Yield: Local market standard/Annualised basis.

UK BONDS

FTSE Actuaries Government Securities UK Indices

Price Indices UK Gilts	Wed Feb 24	Day's chge %	Accrued interest	xd adj ytd	Total Return	Duration Years	Duration Vols	% Weight
1 Up to 5 years (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 5-10 years (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 10-15 years (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 5-15 years (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Over 15 years (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Irredeemables (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 All stocks (42)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Index-linked	Wed Feb 24	Day's chge %	Accrued interest	xd adj ytd	Total Return	% Weight
1 Up to 5 years (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Over 5 years (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 5-15 years (5)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Over 15 years (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 All stocks (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT Fixed Interest Indices [illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

CURRENCIES & MONEY

Sterling tumbles on Emu expectations

MARKETS REPORT

By Alan Beattie and Melanie Carroll

Sterling fell to an eighteen-month low yesterday as expectations of the UK joining European monetary union rose.

The aftermath of the UK government's publication of the euro changeover plan saw the pound fall against the dollar and the euro.

It broke below the $1.60 level against the dollar for the first time since October 1997 and closed at the end of the London trading session at $1.599. Against the euro it lost some of its recent gains, closing at £0.685.

Higher expectations of an early EMU entry for sterling were reflected in further strong gains at the back end of the short sterling strip. Contracts expiring in 2002, a possible entry date for sterling into the European Exchange Rate Mechanism (ERM) as a prelude to monetary union, rose by around 8 basis points yesterday.

Analysts said that firming expectations of an early entry into monetary union could drive the pound down further, depending on the likely entry rate for sterling. "The three-year forward rate for sterling against the D-Mark is around 15 pfennigs lower than the spot rate," said Ian Gunner of ABNAmro in London.

"So the current spot rate is too high if the market expects a 2002 entry at around DM2.50-2.60," he said.

■ The euro also continued to fall yesterday, as the dollar leapt in late European trading after more rumours of large options expiring.

Some tried to tie the euro's fall on the day to the weakness of sterling. But the different timing of the fall suggested that the moves were independent.

The euro collapsed back below the $1.10 level at 3pm GMT, a time when a large option in dollar-yen was believed to expire. The euro failed to recover over the rest of the London session, closing at $1.095.

Analysts said that the short-term prospects for the euro were weak. J.P. Morgan, who revised down their short-run forecast for the euro against the dollar yesterday, said the euro would not recover its launch level of $1.16 until June.

"In coming days we expect markets fully to price in more monetary easing by the European Central Bank," said James McCormick, currency strategist at J.P. Morgan in New York. "G3 policymakers are clearly worried about the current account imbalances, and there will be pressure on the ECB to cut interest rates," he added.

■ The yen dropped yesterday, falling almost two yen in one hour against the dollar in the Asian trading session. It closed in London at Y121.9.

Paul Chertkow, global head of currency research at Bank of Tokyo-Mitsubishi in London, said he expected the yen to remain within the Y110–Y125 range against the dollar in the medium term.

"A value below Y120 would impair the ability of the Japanese banks to meet capital adequacy tests at fiscal year-end. Above Y110 would hit the equity market - below Y110, the corporates are fully competitive," Mr Chertkow said.

"I don't think it will break Y125. Ultimately the Japanese Ministry of Finance is prepared to intervene in the market, whether overtly or covertly," Mr Chertkow said.

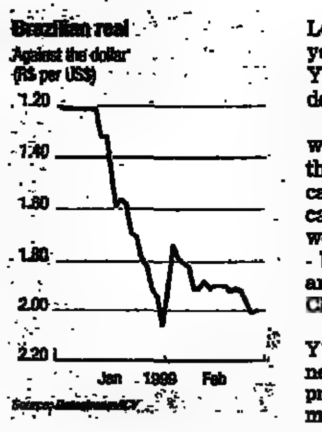
■ The Brazilian Real looks to be in for an uncomfortable ride this week after it began to fall sharply with no landing pad in sight.

The Real slipped again yesterday, finishing at R$2.005 against the US dollar. The Brazilian central bank began to sell US dollars yesterday at R$2.00 to stabilise the Real.

The bank confirmed it had intervened directly in the foreign exchange market on Tuesday for the first time since the Real was floated.

But Gene Frieda, analyst at the economic consultancy 4Cast, said there could be substantial reserve losses if the Real continues to be defended at R$2.00.

Markets are keeping an eye on political wrangles over the appointment of the governor of the Brazilian central bank, and the expected International Monetary Fund announcement of a $9bn emergency loan. This is part of the $41bn rescue package the IMF proposed for Brazil last year.



POUND IN NEW YORK

Feb 24	—Latest—	— Prev. close —
£ spot	1.5980	1.6125
1 mth	1.5971	1.6117
3 mth	1.5966	1.6111
1 yr	1.6009	1.6138

OTHER CURRENCIES

Feb 24	£		$	
Czech Rp	[illegible]	[illegible]	[illegible]	[illegible]
Hungary	365.376	365.624	228.540	228.740
Iran	4797.90	4794.90	3000.00	3000.00
Kuwait	0.4868	0.4877	0.3046	0.3047
Peru	5.4678	5.4789	3.4210	3.4240
Poland	6.2174	6.2375	3.8900	3.9000
Russia	[illegible]	[illegible]	22.9500	23.0500
UAE	5.8700	5.8744	3.6727	3.6731

POUND SPOT FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

[illegible]

WORLD INTEREST RATES

MONEY RATES

[illegible]

INTERNATIONAL CURRENCY RATES

[illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

BASE LENDING RATES

[illegible]

Rapeseed at record lows in Europe

By Paul Solman

European rapeseed prices have dropped to record lows as slowing demand and signs of bumper oilseed crops across the world have depressed the market.

The May contract for rapeseed on Matif, the French futures exchange, fell to its lowest ever at €181 a tonne on Monday, 30 per cent below its price just three months ago. It recovered a little ground on Tuesday but fell back again yesterday to close at €181.5.

"A record US soyabean harvest and signs of a good rapeseed crop in Europe this year have affected the market," said Heike Hintze, senior economist with the Home Grown Cereals Association, a UK trade group.

"Brazil's economic crisis and the devaluation of its currency have added to worries that there will be a rise in Brazilian soyabean exports," Ms Hintze added.

The US and Brazil are the world's largest producers and exporters of soyabeans.

Rapeseed prices were relatively stable last summer, when the European season began, but have been falling steadily since December.

"There's simply too much oilseed around and not enough demand," Ms Hintze said, adding that European rapeseed crushers were showing signs of cutting capacity because their margins were being hit by the low prices.

Rapeseed is the largest oilseed produced in the European Union and is a popular source of vegetable oil for the food industry. It is also used by farmers for planting as a break between other crops.

Europe is second only to China in rapeseed production, and its largest growers are France, Germany and the UK, which provided 3.8m tonnes, 3.2m tonnes and 1.5m tonnes respectively last year.

The German crop was a record last year, and better than expected harvests in Argentina and Canada have also added to world rapeseed stocks.

Although rapeseed is not a direct competitor to other edible oils, such as soyabean oil and palm oil, its price has been dragged down by low prices in those markets.

Soyabean oil is trading at around six-year lows on the Chicago Board of Trade, while prices of palm oil on Malaysia's Commex exchange are at their lowest for almost 18 months.

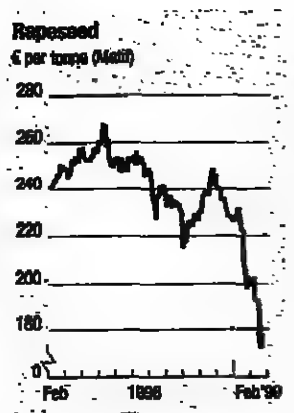
"We won't know the size of the European rapeseed crop in the 1999/2000 season for a few months, but it looks like it will be a large crop," Ms Hintze said.

Another unknown factor is the level of Chinese imports, which could rise this year to make up for a smaller than expected domestic rapeseed crop.

China is the world's largest consumer of rapeseed oil, accounting for 3.5m tonnes, or about one-third of world consumption, in 1997/98.

Rapeseed

€ per tonne (Matif)



Source: Datastream/ICV

Coffee falls despite news from Brazil

MARKETS REPORT

By Paul Solman, Robert Corzine and Gillian O'Connor

Coffee prices fell in spite of a forecast of sharply lower production in Brazil during the 1999/2000 season.

Estimates from Brazil's association of coffee exporters put the country's arabica bean output at 22m 60 kg bags compared with the crop of 30m bags in 1998/99.

Analysts said the smaller harvest from the world's largest coffee exporter could mean a global supply deficit.

However, the news failed to inspire the markets, and May robusta coffee on the London International Financial Futures and Options Exchange ended the day down $6 at $1,644 a tonne.

Arabica also slipped on New York's Coffee, Sugar and Cocoa Exchange, though in late trading the May contract had managed a modest gain to 107 cents against Tuesday's close of 106.8 cents a pound.

Crude oil prices drifted lower after Tuesday's 36 cents a barrel rise. Brent Blend for April delivery was down five cents at $10.89 a barrel in late trading on London's International Petroleum Exchange.

Brent recovered from earlier losses after the light crude contract on the New York Mercantile Exchange received a boost from a refinery fire in Illinois and fresh attacks on Iraqi air defence sites by US military aircraft.

Nickel stole the show on the London Metal Exchange, surging to a nine-month high on steady falls in stock levels.

Macquarie Equities argued that the unexpected surge in Russian exports of nickel in the second half of 1998 was responsible for the price collapse around that time. It warned that Russian exports might be sharply lower in 1999, as production falls and destocking ends.

NZ Dairy Board raises its game

The country's biggest exporter aims to lift its share of the world market, says **Terry Hall**

The New Zealand Dairy Board, the country's biggest export earner, is reshaping its global sales effort as part of a bid to counter low commodity prices, lift farmers' incomes and meet criticism that its existing co-operative structure should end.

Late last year, the board narrowly averted a determined effort by the government to end its statutory right to be the major exporter of dairy products.

The government backed off after an outcry from farmers. The issue remains on the agenda but is unlikely to resurface before elections later this year.

Stung by criticism that the board was not doing enough to cope with low commodity prices, its new chairman, John Storey, has launched a big review of its activities with the aim of lifting its share of the world dairy market. It is already the single biggest exporter, with 31 per cent of the world market, but Mr Storey aims to lift this to 42 per cent within three years.

Signs of a closer understanding with the government were evident at the Dairy Expo this month, when Mr Storey and Bill Birch, New Zealand's treasurer, appeared to speak with a single voice on the industry's problems.

Both agreed on the need to deliver higher returns to farmers. Mr Birch said that it was of "grave concern" that on current trends large numbers of farmers would be squeezed out of the industry in the years ahead.

Farmers' incomes have been falling in real terms for some years, in line with the downward trend in prices for unbranded commodities. New Zealand has also suffered from the economic downturn in Asia, which until last year was one of its fastest growing markets.

Mr Birch is recommending that the government works with the board to secure a more commercial future to improve farming incomes.

The board is moving to implement a new global structure to lift its market competitiveness and the financial returns to farmers. The old regional structure will be changed in favour of five new global product teams that will work to sell new branded products and reduce costs by some NZ$200m (US$108m).

The board has had considerable success in developing new products, such as Anlene, used by Asian women to counter calcium deficiencies, spreadable butter and Cheez Toys - cheese wrapped like confectionery and sold at supermarket check-outs in the Middle East and Asia.

The board now aims to develop and promote more such products, which are less susceptible to commodity market volatility. Some 40 launches are planned for this year.

New financial targets include lifting the return on gross assets by up to 4 per cent and increasing sales from around NZ$7.5bn now to nearer NZ$10bn by 2004.

"The aim is to get more revenue out of the same volume of milk. We want to make milk more valuable," says Neville Martin, the board's spokesman.

Jenny Shipley, prime minister, discussed some of the industry's concerns over access to Europe with officials during visits to London and Bonn this month.

The UK has dropped fraud charges against Dairy Board officials in London but the issue of back-dated duty claims, which could total NZ$380m remain unresolved.

New Zealand's intention to sell spreadable butter in Europe has been referred to a World Trade Organisation panel. A European Court of Auditors report into the board's certification process, which ruled that import licences should be placed in European hands, is also of concern to New Zealand.

On a brighter note, heavy rains across dairy regions this month temporarily eased fears of worsening problems from drought for those many farmers facing the first serious fall in production in 15 years.

The Dairy Board expects total production to be 875m kg of milk solids in the season to April. This is down from the November prediction of 892m kg, about the same as in the previous 1997-98 season.

The lower production will hit farmers' incomes. Mr Martin said that in past seasons they had been able to cope with lower prices by increasing production, an option that was less certain this season. "Less rain, means less milk, and less money," Mr Martin said.

Modest rise seen in Indian agriculture

By Mark Nicholson in New Delhi

Indian production of rice, wheat cereals and pulses, the country's staple food grains, is likely to rise a modest 1.4 per cent this fiscal year to a combined 195.2m tonnes, according to the finance ministry's annual economic survey.

The recovery in crop production follows India's 11th successive normal monsoon rains last summer and marks a rebound from the disappointing harvests of 1997-98, when production dipped from a record 199.4m tonnes a year earlier to just 192.4m tonnes.

The ministry's annual pre-budget review of the economy says total agricultural output, including commercial crops, should register 5.8 per cent growth after a fall of 1 per cent in 1997-98.

The survey notes, however, with "grave concern" a declining growth trend for Indian food grain production since the 1980s, when annual growth rates averaged 3.5 per cent during the heyday of the "green revolution".

This was marked by the explosion in output, mostly in Punjab state, that followed the introduction of new higher-yielding crops.

The survey says growth rates have slipped to an annual average of 1.7 per cent in the 1990s, equivalent to the rate of population growth and around the same level as the 1960s.

It says India has almost reached a plateau in extending land under cultivation, which at 124m hectares last year was no higher than in 1971.

The survey adds that "the contribution of high-yielding varieties [of food grain crops], which was the basis of the green revolution in the seventies, has now plateaued, and there is hardly any fresh contribution to growth in yields".

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1164.5-65.5	1188-89
Previous	1158-60	1184-85
High/low		1189/1160
AM Official	1157-58	1181-81.5
Kerb close		1189-90
Open int.	259,580	
Total daily turnover	41,069	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1000-02	1030-32
Previous	1000-05	1032-38
High/low		1034/1030
AM Official	1000-0.5	1029-30
Kerb close		1034-36
Open int.	7,748	
Total daily turnover	1,347	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	519-20	522.5-3
Previous	517-18	521-22
High/low		523/516
AM Official	516-16.5	520-20.5
Kerb close		523-4
Open int.	37,765	
Total daily turnover	8,246	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	4875-85	4945-50
Previous	4810-20	4880-85
High/low		5000/4555
AM Official	4870-75	4925-30
Kerb close		4985-95
Open int.	72,894	
Total daily turnover	15,168	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5395-405	5320-25
Previous	5335-40	5270-75
High/low		5355/5280
AM Official	5365-75	5300-05
Kerb close		5350-55
Open int.	21,092	
Total daily turnover	5,855	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1025-26	1035-36
Previous	1022-23	1033-34
High/low		1039/1031
AM Official	1022-23	1031-32
Kerb close		1033-34
Open int.	102,224	
Total daily turnover	15,602	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1379.5-80.5	1405-06
Previous	1369-70	1396-97
High/low		1407/1387
AM Official	1368-68.5	1395.5-96.0
Kerb close		1406-07
Open int.	168,737	
Total daily turnover	30,077	

■ LME AM Official £/$ rate: 1.6040

LME Closing £/$ rate: 1.5965

Spot: 1.5973 3 mths: 1.5960 6 mths: 1.5960 9 mths: 1.5975

■ HIGH GRADE COPPER (COMEX)

PRECIOUS METALS

■ LONDON BULLION MARKET

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

■ CRUDE OIL IPE ($/barrel)

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

■ GAS OIL IPE ($/tonne)

■ NATURAL GAS IPE (1,000 therms; pence per therm)

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

■ BARLEY LIFFE (100 tonnes; £ per tonne)

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

■ SOYABEAN MEAL CBT (100 tons; $/ton)

■ POTATOES LIFFE (20 tonnes; £ per tonne)

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

PULP AND PAPER

■ PULPEX OMLX (NBSK 24 air dry tons)

FUTURES DATA

All futures data supplied by CMS.

Nuts and seeds Prices from Kariba

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

■ COCOA CSCE (10 tonnes; $/tonne)

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE LIFFE (5 tonnes; $/tonne)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) (US cents/pound)

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/lbs)

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

VOLUME DATA

INDICES

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

■ LEAN HOGS CME (40,000lbs; cents/lbs)

■ PORK BELLIES CME (40,000lbs; cents/lb)

LONDON TRADED OPTIONS

■ ALUMINIUM (99.7%) LME

■ COPPER (Grade A) LME

■ COFFEE LIFFE

■ COCOA LIFFE

■ BRENT CRUDE IPE

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

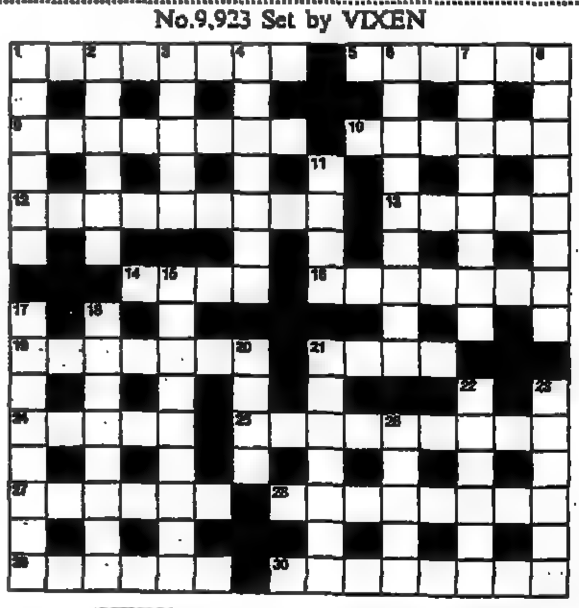
■ NATURAL GAS (Pence/therm)

■ OTHERS

JOTTER PAD

CROSSWORD

No.9,923 Set by VIXEN



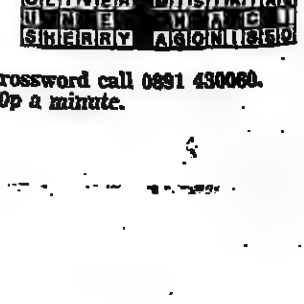
ACROSS

1 Synthetic stone used to make a national emblem (8)
5 At a high temperature the rod becomes distorted (6)
9 A reptile keeping quiet concealed in the ground (8)
10 Many aren't to be changed, it's gathered (6)
12 Fresh-as-a-daisy jumper in America (3,6)
13 The gun for a trainee in general (5)
14 French bread can cause much discomfort (4)
16 Overeat, so take a little ginseng or get overweight (7)
19 Made to declare date of birth – as usual (7)
21 The bead collecting apple-core and a cigarette-end (4)
24 The people of Basra perhaps (5)
25 In debt, all through being tempted! (9)
27 Trust a large number tried to break up (6)
28 Show off about one's heavenly place (8)
29 Seating offering firm support (6)
30 Tear around endlessly showing respect (8)

DOWN

1 Position – give voice about it (6)
2 Directors like to carry the right line (6)
3 A writer finds some ignore a dedication (5)
4 Red with cold, edge in front of the boy (7)
6 Simple optical aid (9)
7 City in which to get present for small daughter (8)
8 Note the revolutionary may be restrained (8)
11 A place likely to be blown up (4)
15 Water for a pig with piglets? (5,4)
17 University people accepting cut in scales (8)
18 Being nice about plug falling off (8)
20 The Queen – very large and famous statue (4)
21 With little cash about, reduce order (7)
22 A veil's called for in this case (6)
23 Put away money, though without adequate clothing (6)
26 The woman retired in good health in the end (5)

Solution 9,922



For solutions to today's crossword call 0891 430060. Calls cost 50p a minute.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Asset Management (Bermuda) Ltd

Newport Investment Management

Orion Fund Limited

BERMUDA (REGULATED)(**)

CAYMAN ISLANDS (REGULATED)(**)

MFS Meridian Funds - Contd.

Marshall Wace Asset Management Limited

Montague International Advisors

Montgomery Emerging Markets Fund Ltd

Morgan Stanley Offs Advisory Mortgage Fd Inc

National Investment Trust Company Ltd

North Atlantic Management Co Ltd

Olympus Capital Management Ltd

Omega Overseas Partners Ltd

Opportunity Fund (z)

Orion Capital Advisors Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd

GUERNSEY (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

LUXEMBOURG (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CONSTRUCTION

[illegible]

CONSTRUCTION - Continued

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Continued

[illegible]

ENGINEERING - Continued

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Continued

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Continued

[illegible]

HOUSEHOLD GOODS & TEXT

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Continued

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Continued

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Continued

[illegible]

SUPPORT SERVICES

[illegible]

PROPERTY - Continued

[illegible]

SUPPORT SERVICES - Continued

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

TELECOMMUNICATIONS

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Continued

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

TRADED INDEX SECURITIES

[illegible]

AIM

Alternative Investment Market

[illegible]

AIM - Continued

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1570 a year for each security shown, subject to the Editor's discretion.

FT Free Annual Reports Club

You can obtain the current annual/interim report of any companies annotated with the ♣. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports may also be ordered via the Internet at http://www.icbinc.com. All reports will be sent the next working day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details. Calls are charged at 50p per minute at all times.

An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial pricing information obtained via FT Cityline before making any investment decision.

All access to and use of FT Cityline is subject to FT Cityline terms and conditions - your copy will be sent free on request. Call 0171 873 4378 for more information on FT Cityline.

For Retail Price Index details call 0891 43 0095

The FT web site

London share prices are available throughout the trading day with a 20 minute delay from our web site, http://www.ft.com, which also has the closing share prices printed on these pages.

LONDON STOCK EXCHANGE

Institutions return to lift Footsie to new records

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

Institutional buyers returned to London's equity market in force yesterday, catching marketmakers short of stock and driving the FTSE 100 index through its previous record intra-day and closing peaks.

The index burst through the 6,200 and 6,300 barriers, eventually finishing 152.4, or 2.5 per cent, stronger at 6,307.6. At its best, shortly before the close, the FTSE 100 was up 161.4.

The strength in the leaders did not fully follow through to the second and third-line stocks, but the FTSE 250 and *SmallCap* indices nevertheless made good progress.

The 250 settled 33.8 ahead at 5,220.2 but remained 12.5 per cent below its all-time closing high, 5,966.6, recorded on June 9 last year. The FTSE SmallCap was 5.1 up at 2,268.1, still some 19 per cent off its record close of 2,792.7, which it reached in May 1998.

Most dealers were surprised at the pace and performance so soon after the cautious comments delivered to the US Senate's banking committee by Alan Greenspan, chairman of the US Federal Reserve.

Wall Street gave a wary initial response to Mr Greenspan's remarks with the Dow Jones *Industrial Average* finishing 8 points lower overnight. And it did not look likely in early trading yesterday to launch an assault on its 9,643 record, which it hit on January 8. The Dow was 22 points up an hour after London closed.

"We've been caught in a big squeeze," said one marketmaker, pointing to a sudden flurry of buying interest by institutions that had held off before the Greenspan testimony.

And there were suspicions that some big hedge funds known to have pulled out of the UK market late last year had moved back in to buy UK shares aggressively.

Some of the marketmakers insisted that Wall Street still looked overvalued and would attract a correction in the short term – "probably on a day when one would least expect it", one said.

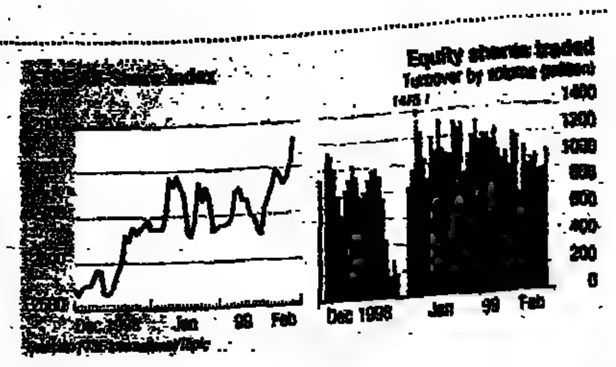
Others insisted the UK market would run on towards 6,500 on the FTSE 100, stimulated by the run of well-received results – which yesterday included upside surprises such as Avis and Logica – and by share buy-backs and the recent run of special dividend payments. Centrica was the latest company to announce a one-off payment.

Strategists remained split on the market's outlook for the rest of the year. Corey Miller at Paribas, a long-standing bull, said the US remained the swing factor.

"If London manages to disengage from Wall Street and as long as sterling maintains its strength against the euro there is every chance that the stock market will run on and every chance too that UK rates will come down to 4.5 per cent later this year," said Mr Miller.

On a more bearish note, Richard Jeffrey, group economist at CCF Charterhouse, said: "I don't doubt the FTSE 100 index will race up to 6,500; we're facing asset price inflation in the UK. But we're on the edge of a surge in consumer spending and UK interest rates will go up later this year."

Turnover at 6pm was 1.1bn shares, with non-FTSE 100 stocks accounting for a lowly 44 per cent.



Indices and ratios

FTSE 100	6307.6	+152.4	FT 30	3793.1	+70.2
FTSE 250	5220.2	+33.8	FTSE Non-Fins p/e	24.42	24.07
FTSE 350	2974.4	+64.9	FTSE 100 Fut Mar	6310.0	+153.0
FTSE All-Share	2871.61	+58.23	10 yr Gilt yield	4.53	4.51
FTSE All-Share yield	2.67	2.73	Long gilt/equity yld ratio	1.71	1.69

Best performing sectors		Worst performing sectors	
1 Alcoholic Beverages	+4.1	1 Gas Distribution	-0.9
2 Retailers, General	+3.9	2 Food Producers	-0.8
3 Insurance	+3.7	3 Water	-0.8
4 Breweries, Pubs & Rest.	+3.5	4 Oil Exploration & Prod	-0.7
5 Banks, Retail	+3.2	5 Utilities	-0.6

Dixons nets big gains

COMPANIES REPORT

By Joel Kibazo, Martin Brice and Peter John

Shares in electronic goods retailer Dixons moved strongly ahead, gaining 73 to £11.63 on reports that the company had signed a potentially lucrative deal with Bertelsmann, the German media group.

Dealers said the three-year deal would allow Bertelsmann to sell books through Freeserve, Dixon's free internet service provider.

"This is a deal that shows Dixons is increasing the attractions of Freeserve," said one retail sector specialist. Analysts also highlighted the potential for increased revenue for the UK group.

Bertelsmann owns 50 per cent of the internet service of Barnesandnoble, the giant US bookseller.

In the rest of the retailers, the firm trend helped boost interest in Boots and Kingfisher. The former gained 41 to £10.10½ while the latter ended the day 29½ up at 771p.

A turn in sentiment towards engineers was marked by heavy volume and strong performances by several leading stocks, with BTR Siebe seeing 21m traded and Rolls-Royce 17m. A weighty research document from the engineering team at Merrill Lynch, highlighted the potential for outperformance in engineering shares during the forthcoming results season. The team stressed its "overweight" stance on the sector, and said its year-end round-ups with companies were generally positive.

"An aggressive programme of interest rate cuts looks like triggering the sought-after soft economic landing, which is positive for the sector," it said.

It was particularly positive on BTR Siebe, which gained almost 6 per cent, or 13 to 235¾p; *Rolls-Royce*, which was up 9¾ at 269p; and GKN, which advanced 14 to 832p.

The engineering sector has underperformed 30 per cent since June, although in the past month it has beaten the market by 5 per cent as fears *of global economic slowing* have eased.

The market gave the "thumbs up" *to Marks and* Spencer after the company confirmed the departure of three board directors and 31 senior managers.

"We expected it but this shows decisive action by the new management. It shows the new chief executive has the ability to push the right buttons," said one broker.

Marks and Spencer has been on a charm offensive and last week gave upbeat presentations to brokers.

Yesterday the shares jumped 19½ to 401½p in busy trade of 14m and Tony Shiret at Credit Suisse First Boston believes there is "good *institutional interest in the* recovery story at Marks and Spencer".

Figures from CGU looked rough on the surface but the shares moved up 54½ to 983½p as the gearing of insurance stocks to a rising market was combined with a feeling that the worst could be behind the company.

"The negatives are now largely out of the way," said Steven Bird of Merrill Lynch. "If investors feel the non-life side is under control and the life side picks up momentum, this could be a turning point."

Hays, which is due to report on Monday, saw heavy trade of 8.5m and rose more than 6 per cent, or 33½ to 586½p as strong figures from recruitment consultancy Select Appointments eased fears that the personnel consultancy industry was suffering a downturn. Select announced a 68 per cent profits rise and made a bullish trading statement.

Rentokil Initial also saw busy dealings of 5.4m ahead of final results on Tuesday as some analysts told clients that the company was set to regain the self-imposed 20 *per cent earnings growth* target it just missed at the interim stage. However, Henderson Crosthwaite expects 18 per cent earnings growth. The shares rose 16 to 472p.

Arm Holdings was the best performer in the FTSE 250 as it gained 21 per cent, or 427½ to £24.67½, its highest ever level.

It announced a deal with 3Com Corporation of the US, which it said would lead to new generation of advanced networking products.

British Energy jumps

The re-rating of British Energy continued with help from the utilities team at *Credit Lyonnais*, which argues it is the cheapest stock in the electricity sector. The shares gained 10½ to 661p.

But on balance, utilities showed strong signs of a shift from defensive stocks. United Utilities fell 15½ to 816½p even though it is considered one of the cheapest water stocks; PowerGen dropped 12½ to 783½p and National Grid 6 to 458p.

WPP added 17½ to 487½p as it was appreciated that Kimberly-Clark, the maker of Kleenex and Andrex, had consolidated all its billings with JWT and Ogilvy & Mather, both WPP agencies. The shift is expected to represent £90m in extra advertising billing for the group. West LB Panmure reinforced a 500p share price target.

Centrica was unloved by the market even though the gas supplier surprised investors with a special dividend. The company said successful renegotiation of wholesale gas contracts agreed before privatisation, along with strong prospects, would allow it to distribute £520m as a special 12p dividend payable in June.

The figure was higher than expected and payable earlier than anticipated. Merrill Lynch raised its current year profits forecast from 5.5p to 5.8p and retained its price target of 126p. Elsewhere, there was some disappointment that a "maiden ordinary" was not declared for last year.

And while the profit was at the top end of analysts' expectations, the general shift from defensive stocks combined with a feeling that, at 21 times earnings, the stock was overvalued.

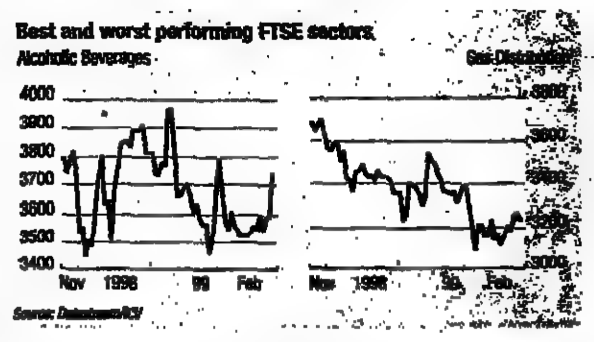
An early rise to 130p dribbled away in the afternoon and the stock closed unchanged at 129p.

Fitness clubs were the focus of attention in the leisure sector as positive comments and strong results from Cannons pushed the shares up 6½ to 145p.

Vymura continued to rise, up 8 to 81½p after the wallpaper group met institutional investors in Edinburgh following recent strong results.

Heavy trading of 27m followed Tuesday's late profit warning from electronics manufacturer Calluna. The shares were among the market's worst performers, down 7 to 18p.

Best and worst performing FTSE sectors



FT 30 INDEX

	24-Feb	23-Feb	22-Feb	19-Feb	18-Feb	Yr ago	*High	*Low
FT 30	3793.1	3722.9	3687.3	3670.3	3698.8	3505.3	4004.9	2790.8
Ord. div. yield	2.72	2.78	2.81	2.82	2.8	3.06	4.22	2.72
P/E ratio net	[illegible]	[illegible]	23.88	23.78	23.92	23.14	25.41	18.8
P/E ratio nil	23.3	22.78	23.76	23.66	23.82	N/A	25.19	18.71

FT 30 since compilation: high 4004.9 7/10/98; low 49.4 6/26/40. Base Date: 1/7/35.

FT 30 hourly changes

9	10	11	12	13	14	15	16	High	Low
3722.9	3758.3	3752.8	3765	3763.9	3759.8	3773.1	3786.3	[illegible]	3719.9

STOCK MARKET TRADING DATA

	Feb 24	Feb 23	Feb 22	Feb 19	Feb 18	Yr ago
SEAQ bargains	88,314	80,983	79,254	65,269	79,463	n/a
Equity turnover (£m)†	-	n/a	n/a	3470.8	3371.1	n/a
Equity bargains†	-	n/a	n/a	64,257	59,817	n/a
Shares traded (m)†	-	n/a	n/a	851.7	775.8	n/a
Total market bargains‡	-	n/a	n/a	67,194	70,941	-
Total turnover (£m)‡	-	n/a	n/a	4896.7	4512.1	-
Total shrs traded (m)‡	*1086.2	n/a	n/a	1085.2	998.8	-
Tradepoint turnover (£m)	41.4	20.7	15.0	[illegible]	27.7	80.1
Tradepoint shrs traded(m)	13.1	12.2	7.0	9.2	10.7	9.2

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	881	Total Highs	69	Total contracts	39,056
Total Falls	592	Total Lows	45	Calls	22,836
Same	1,449			Puts	16,218

Feb 24 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	6110.0	6310.0	+153.0	6355.0	6110.0	36845	165441
Jun	6260.0	6348.0	+154.0	6344.0	6267.0	1329	20564
Sep	6272.0	6382.0	+153.0	6312.0	6272.0	375	2053

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		5211.0	+38.0			0	2290
Jun		5280.0	+38.0			0	7237

FTSE 100 INDEX OPTION (LIFFE) (*6307) £10 per full index point

[illegible]

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FTSE GOLD MINES INDEX

[illegible]

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	£ Stlg Feb 24	Day's chge%	Euro Index	£ Stlg Feb 23	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	6307.6	+2.5	7168.2	6155.2	5745.1	2.53	2.68	1.86	25.03	11.54	2798.05
FTSE 250	5220.2	+0.7	5932.4	5186.4	5571.5	3.18	2.78	2.16	18.18	10.86	[illegible]
FTSE 250 ex Inv Tr	5227.7	+0.6	5932.5	5194.0	[illegible]	3.29	[illegible]	[illegible]	18.80	11.21	[illegible]
FTSE 350	2974.4	+2.2	3380.2	2910.4	2735.2	2.65	2.38	2.01	23.70	5.54	[illegible]
FTSE 350 ex Inv Tr	2982.0	+2.2	3388.9	2917.1	2740.8	2.64	2.37	2.02	23.46	5.60	1387.04
FTSE 350 Higher Yield	2763.8	+2.8	3140.8	2884.8	2714.3	3.84	3.18	1.88	18.29	3.81	2150.77
FTSE 350 Lower Yield	3197.1	+1.9	3633.3	3139.0	2772.8	1.84	1.66	2.29	33.30	7.47	2346.75
FTSE SmallCap	2268.59	+0.2	2578.02	2263.36	2447.66	3.59	2.99	2.00	17.39	5.19	2008.33
FTSE SmallCap ex Inv Tr	2238.12	+0.2	2541.19	2232.35	2436.48	3.81	3.17	2.12	15.50	4.98	2002.01
FTSE All-Share	2871.61	+2.1	3263.38	2812.38	2662.56	2.67	2.39	2.01	23.30	5.41	2642.88
FTSE All-Share ex Inv Tr	2883.79	+2.1	3277.22	2823.29	2670.38	2.68	2.40	2.03	22.98	5.46	1365.64
FTSE Fledgling	1238.94	+0.1	1407.97	1237.12	1341.82	3.97	3.28	1.40	22.44	2.31	1397.80
FTSE Fledgling ex Inv Tr	1251.38	+0.1	1422.06	1249.50	1383.12	4.82	3.70	1.48	18.03	2.43	1419.80
FTSE All-Small	1285.61	+0.2	1461.00	1282.90	-	3.67	3.04	1.86	18.26	2.83	1452.81
FTSE All-Small ex Inv Tr	1292.22	+0.2	1468.51	1290.10	1407.59	3.95	3.28	1.96	16.10	2.80	1471.32
FTSE AIM	824.8	+0.1	937.4	823.7	1008.2	1.35	1.10	0.99	80.00†	0.75	767.77

FTSE Actuaries Industry Sectors

	£ Stlg Feb 24	Day's chge%	Euro Index	£ Stlg Feb 23	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES(18)	4030.84	+2.7	4580.76	3925.25	4397.24	3.84	3.17	1.15	30.76	0.47	1661.36
12 Extractive Industries(8)	3085.53	+3.0	3506.49	2996.00	3047.78	4.41	4.05	2.06	13.83	3.75	998.58
15 Oil, Integrated(3)	4669.25	+2.8	5306.27	4543.82	4857.35	3.42	3.06	1.03	35.56	0.00	2240.49
16 Oil Exploration & Prod(9)	1273.43	-0.7	1447.16	1282.04	3233.95	4.38	3.82	0.97	29.49	0.00	797.45
20 GEN INDUSTRIALS(198)	1865.54	+1.4	2120.05	1838.95	2028.97	3.72	3.30	2.32	14.50	4.28	1119.22
21 Construction(37)	1333.84	+0.5	1515.81	1327.26	1483.29	3.78	3.13	3.11	10.83	1.83	1211.60
22 Building Matls & Merchs(28)	1604.47	-0.3	1823.36	1609.89	1702.58	4.69	4.07	2.12	12.61	0.33	896.17
23 Chemicals(20)	1897.00	+1.1	2155.80	1877.15	2714.56	4.83	4.56	1.97	13.12	1.44	987.00
24 Diversified Industrials(4)	1017.82	+0.5	1156.46	1012.21	1384.97	6.44	5.69	1.08	18.02	5.26	649.11
25 Electronic & Elect Equip(25)	2867.06	+3.1	3258.21	2780.03	2171.77	2.67	2.28	1.99	23.49	15.40	1615.82
26 Engineering(53)	2376.86	+1.9	2701.13	2331.65	2723.08	3.53	3.11	2.38	14.86	6.76	1569.31
27 Engineering, Vehicles(10)	4035.71	+1.0	4586.29	3994.81	3727.68	2.22	2.04	3.23	17.44	0.35	2248.88
28 Paper, Pckg & Printing(18)	1651.25	+0.5	1876.53	1643.56	2040.44	6.33	5.66	2.34	6.43	5.44	785.16
30 CONSUMER GOODS(92)	6301.11	+2.2	7160.76	6165.80	5683.23	2.14	2.01	2.01	29.05	5.90	2522.74
32 Alcoholic Beverages(5)	3739.07	+4.1	4249.18	3593.38	3570.10	3.31	3.07	2.13	17.76	0.34	1499.06
33 Food Producers(26)	3580.76	-0.8	4069.27	3610.88	3706.61	2.54	2.31	2.22	22.19	1.36	1755.80
34 Household Goods & Texts(14)	2296.72	-0.5	2610.05	2307.78	3310.05	4.44	4.03	1.94	14.50	0.80	988.58
36 Health Care(14)	2452.40	+1.0	2786.98	2428.68	2327.32	2.10	1.94	2.11	28.26	1.88	1585.07
37 Pharmaceuticals(20)	11604.94	+3.1	13188.17	11259.12	9924.14	1.52	1.47	1.81	45.50	15.93	4188.08
38 Tobacco(3)	7334.11	+0.3	8334.69	7315.79	5082.60	4.28	3.91	2.23	13.07	0.00	2089.77
40 SERVICES(261)	3988.41	+2.1	4532.54	3908.14	3134.86	2.14	1.79	2.08	28.04	5.80	2222.42
41 Distributors(25)	1882.26	-0.2	2139.06	1885.98	2534.38	4.99	4.15	2.03	12.37	1.53	756.38
42 Leisure & Hotels(31)	3777.80	+2.5	4292.97	3685.01	3528.78	2.33	2.16	2.89	18.51	20.10	2171.88
43 Media(45)	5330.35	+1.6	6057.56	5244.96	4190.80	1.90	1.68	2.13	30.89	3.76	2038.89
44 Retailers, Food(13)	2542.82	+0.7	2889.73	2525.05	2842.02	3.58	2.88	2.16	18.12	4.40	1758.52
45 Retailers, General(41)	2348.03	+3.9	2668.36	2259.97	2409.76	3.19	2.56	2.07	18.93	5.33	1456.40
46 Telecommunications(7)	6596.21	+2.4	7498.40	6445.29	3447.50	1.36	1.12	1.64	55.80	4.13	3254.73
47 Breweries, Pubs & Rest.(22)	3709.35	+3.5	4215.41	3582.58	3671.12	3.39	2.75	2.20	16.73	12.78	1931.86
48 Support Services(58)	5279.16	+1.4	5999.39	5208.31	4046.38	1.18	1.02	2.64	40.05	2.13	3500.44
49 Transport(29)	3585.24	+0.7	4074.37	3558.98	3117.92	2.90	2.47	1.97	21.81	7.87	1622.39
60 UTILITIES(20)	4051.11	-0.6	4603.80	4074.16	3621.51	3.92	4.08	2.06	15.51	7.85	1974.90
62 Electricity(7)	4591.82	-0.3	5218.27	4603.63	4102.29	4.40	3.58	1.71	16.80	1.11	2743.72
64 Gas Distribution(2)	3240.45	-0.9	3682.54	3269.80	2766.99	1.95	4.44	2.71	23.73	0.00	1888.87
68 Water(11)	3292.51	-0.8	3741.81	3319.66	3085.36	5.09	4.68	2.37	10.85	24.10	2091.22
69 NON-FINANCIALS(591)	2910.19	+1.9	3307.23	2855.04	2801.31	2.63	2.36	1.95	24.42	3.78	2404.83
70 FINANCIALS(120)	5618.83	+2.8	6385.40	5467.22	5758.87	2.84	2.52	2.25	19.58	20.67	2641.33
71 Banks, Retail(12)	8583.46	+3.2	9754.49	8320.49	8459.23	2.86	2.54	2.24	19.46	46.89	3060.80
73 Insurance(21)	2399.85	+3.7	2727.25	2314.66	2685.26	2.81	2.66	2.17	20.49	0.18	2012.35
74 Life Assurance(6)	7635.12	+0.9	8676.77	7564.11	7494.14	2.59	2.23	2.57	18.89	0.00	3441.67
77 Other Financial(21)	4070.88	+2.5	4626.26	[illegible]	[illegible]	2.68	2.24	2.45	19.06	7.71	2519.67
78 Property(48)	1809.28	+1.1	2056.11	1788.81	2400.61	3.44	2.94	1.69	21.53	2.79	1207.63
80 INVESTMENT TRUSTS(117)	3798.43	+0.7	4316.64	3770.43	3692.54	2.23	1.86	1.14	49.04	5.84	1399.46
89 FTSE All-Share(828)	2871.61	+2.1	3263.38	2812.38	2662.56	2.67	2.39	2.01	23.30	5.41	2642.88
105 FTSE All-Share ex Inv Tr(711)	2883.79	+2.1	3277.22	2823.29	2670.38	2.68	2.40	2.03	22.98	5.46	1365.64
Information Technology	1783.90	-0.7	2027.27	1797.23	1260.80	0.51	0.44	4.73	51.58	0.99	1794.30

Hourly movements

	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	6152.5	6227.3	6230.1	6234.1	6234.7	6240.9	6274.4	6299.6	6316.6	6145.6
FTSE 250	5188.7	5192.8	5200.7	5202.3	5216.6	5218.2	5217.0	5222.0	5223.7	5186.4
FTSE 350	2909.3	2939.6	2941.6	2943.4	2944.8	2947.4	2960.8	2971.3	2978.3	2907.6
FTSE SmallCap	2263.09	2264.63	2265.63	2266.82	2267.31	2267.40	2267.54	2268.38	2268.66	2262.84
FTSE All-Share	2811.39	2839.58	2841.28	2842.96	2844.34	2846.73	2859.04	2868.60	2875.20	2809.82

Time of FTSE 100 Day's high: 16:19:00 Day's low: 9:08:30. FTSE 100 1998/99 High: 6307.6 (24/02/99) Low: 4648.7 (05/10/98)
Time of FTSE All-Share Day's high: 16:19:00 Day's low: 9:00:00. FTSE All-Share 1998/99 High: 2885.29 (20/07/98) Low: 2169.97 (05/10/98)

Further information is available on http://www.ftse.com.

† Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. Deletion: Rockwood Mineral Holdings (FTSE Fledgling).

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks yesterday

[illegible]

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE (EMU) Prices in €

AUSTRIA (Feb 24 / 1 € = 13.7603 Sch)

BELGIUM/LUX (Feb 24 / 1 € = 40.3399 Frs)

FINLAND (Feb 24 / 1 € = 5.94573 Mka)

FRANCE (Feb 24 / 1 € = 6.55957 Frs)

GERMANY (Feb 24 / 1 € = 1.95583 Dm)

IRELAND (Feb 24 / 1 € = 0.78756 Punt)

ITALY (Feb 24 / 1 € = 1936.27000 Lira)

NETHERLANDS (Feb 24 / 1 € = 2.20371 Fl)

PORTUGAL (Feb 24 / 1 € = 200.482 Esc)

SPAIN (Feb 24 / 1 € = 166.386 Pta)

EUROPE (NON-EMU)

CZECH REP (Feb 24 / Koruna)

DENMARK (Feb 24 / Kr)

GREECE (Feb 24 / Drachma)

NORWAY (Feb 24 / Kroner)

POLAND (Feb 24 / Zloty)

SWEDEN (Feb 24 / Kronor)

SWITZERLAND (Feb 24 / Frs)

TURKEY (Feb 24 / Tk Lira)

PACIFIC

JAPAN (Feb 24 / Yen)

AUSTRALIA (Feb 24 / Aust$)

HONG KONG (Feb 24 / H.K.$)

INDONESIA (Feb 24 / Rupiah)

MALAYSIA (Feb 24 / MYR)

NEW ZEALAND (Feb 24 / NZ $)

SINGAPORE (Feb 24 / S$)

SOUTH KOREA (Feb 24 / Won)

TAIWAN (Feb 24 / TW $)

THAILAND (Feb 24 / Baht)

AMERICAS

CANADA

TORONTO (Feb 24 / Can $)
4 pm close

MONTREAL (Feb 24 / Can $)
4 pm close

MEXICO (Feb 24 / Peso)
12.30 pm

AFRICA

SOUTH AFRICA (Feb 24 / Rand)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY FEBRUARY 23 1999 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY FEBRUARY 22 1999 US Dollar Index	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (75)	214.21	0.1	197.09	164.10	224.63	222.95	0.3	3.31	213.96	195.50	162.74	223.34	222.19	219.95	163.86	205.28
Austria (21)	183.98	1.9	169.26	140.94	170.24	170.24	2.3	1.95	180.60	165.02	137.37	166.35	166.35	253.73	165.27	202.82
Belgium (22)	385.40	-0.7	383.80	302.81	358.23	358.23	-0.2	1.98	388.19	383.83	302.87	359.00	359.09	446.95	278.30	282.07
Brazil (29)	89.24	-4.9	91.31	76.03	104.07	372.85	-0.7	8.25	104.32	95.32	79.35	108.90	375.42	259.34	89.32	239.30
Canada (113)	205.07	-1.2	188.88	157.10	215.05	222.52	-0.8	1.78	207.51	189.60	157.83	218.60	224.39	248.78	159.94	222.69
Denmark (34)	453.27	0.7	417.05	347.24	475.33	417.43	1.2	1.72	450.18	411.32	342.40	469.90	412.57	537.39	420.12	484.70
Finland (29)	607.98	3.1	559.40	465.77	690.89	690.89	3.6	1.64	589.70	538.82	448.54	667.03	667.03	661.25	338.49	352.02
France (74)	322.10	0.5	296.36	246.76	301.83	301.83	1.0	2.03	320.52	292.86	243.79	298.96	298.96	354.45	253.86	257.78
Germany (55)	259.35	2.2	238.62	198.68	240.16	240.16	2.7	1.37	253.75	231.85	193.00	233.89	233.89	325.81	226.35	252.89
Greece (36)	367.77	-6.8	338.36	281.75	385.88	775.37	-5.9	1.10	394.45	360.41	300.02	411.74	825.02	429.85	211.47	–
Hong Kong, China (68)	273.46	0.9	251.51	209.50	286.78	272.04	0.9	4.49	270.95	247.58	206.09	282.84	269.55	362.55	196.84	341.75
Indonesia (24)	47.84	-0.8	44.02	36.65	50.17	280.49	-1.1	1.17	48.23	44.08	36.68	50.34	283.31	64.52	19.04	49.91
Ireland (14)	533.99	0.4	481.04	408.85	539.36	539.36	0.8	1.88	531.76	485.88	404.47	534.93	534.93	605.85	398.15	474.63
Italy (53)	157.78	-0.7	154.37	128.54	220.96	220.96	-0.2	1.44	158.92	154.35	128.49	221.43	221.43	192.54	128.68	132.49
Japan (445)	96.27	0.0	88.58	73.75	100.98	73.75	0.7	1.01	96.25	87.95	73.21	100.47	73.21	107.82	76.83	102.04
Mexico (29)	1227.00	-0.4	1128.95	939.98	1286.73	13346.28	-0.3	1.82	1231.61	1125.34	936.78	1285.61	13383.60	1733.73	787.15	1497.86
Netherlands (26)	488.89	1.2	449.82	374.53	447.82	447.82	1.7	2.12	483.08	441.35	367.40	440.41	440.41	582.73	394.92	446.71
New Zealand (18)	66.85	-2.3	61.51	51.21	70.10	66.01	-1.8	4.27	68.40	62.50	52.03	71.40	67.08	77.84	45.60	74.83
Norway (37)	224.14	1.0	206.23	171.71	235.05	239.95	1.4	2.20	221.83	202.68	168.72	231.55	236.76	357.71	181.86	303.27
Philippines (22)	85.56	1.4	78.73	65.55	89.73	168.30	0.9	0.98	84.36	77.08	64.17	88.06	164.79	106.98	42.48	89.58
Portugal (18)	246.26	-0.5	226.58	188.66	307.75	307.75	0.0	1.07	247.42	226.07	188.19	307.77	307.77	299.30	194.13	–
Singapore (40)	202.09	-0.1	185.94	154.82	211.99	180.32	0.4	1.74	202.31	184.86	153.88	211.18	159.81	248.74	102.45	215.26
South Africa (35)	190.29	0.4	175.06	145.76	199.55	258.19	0.4	3.46	189.54	173.18	144.17	197.85	257.17	346.20	151.55	278.16
Spain (30)	386.31	1.4	355.44	295.95	443.46	443.46	1.9	1.82	380.92	348.05	289.74	435.28	435.28	435.19	290.81	320.57
Sweden (43)	528.75	-0.5	486.50	405.07	554.49	634.74	0.0	1.92	531.48	485.62	404.25	554.78	634.86	628.19	379.18	511.17
Switzerland (30)	394.16	0.9	362.65	301.95	413.35	354.75	1.0	1.20	390.79	357.07	297.24	407.92	351.25	441.65	307.73	381.40
Thailand (31)	21.22	0.8	19.53	16.28	22.26	30.91	0.4	2.92	21.06	19.24	16.02	21.96	30.79	33.84	8.15	31.59
United Kingdom (201)	384.28	0.6	353.57	294.38	402.96	353.57	1.3	2.72	382.10	349.13	290.63	398.83	349.13	401.84	307.96	384.77
USA (813)	524.39	0.0	482.49	401.73	548.92	524.39	0.8	1.25	524.55	479.29	398.98	547.55	524.55	527.72	380.12	424.24
Americas (784)	464.77	-0.1	427.83	358.05	487.39	394.63	-0.1	1.20	465.18	425.04	353.83	485.58	394.67	467.90	347.59	383.90
Europe (723)	352.17	0.7	324.02	269.79	369.31	334.78	1.2	2.03	349.70	319.53	265.90	365.04	330.74	388.24	282.83	318.92
Eurobloc (342)	100.59	1.0	92.65	77.14	100.92	100.92	1.4	1.74	99.72	91.12	75.85	99.48	99.48	113.92	81.53	–
Nordic (143)	500.24	0.7	460.27	383.23	524.60	520.34	1.2	1.83	496.68	453.82	377.78	518.45	514.20	555.97	380.04	450.08
Pacific Basin (721)	104.14	0.1	95.82	79.78	109.21	81.88	0.7	1.56	104.05	95.07	79.14	108.81	81.32	117.89	82.86	111.90
Euro-Pacific (1444)	207.27	0.5	190.71	158.79	217.36	178.88	1.1	1.89	206.18	188.39	156.82	215.22	175.01	221.79	168.00	198.24
North America (726)	502.71	-0.1	462.53	385.12	527.18	503.51	-0.1	1.27	503.08	459.65	382.63	525.11	503.80	506.43	374.92	411.32
Europe Ex. UK (522)	324.76	0.8	298.91	248.79	340.57	315.63	1.2	1.67	322.26	294.46	245.12	336.40	311.89	368.32	260.93	298.97
Europe Ex. Eurobloc (381)	97.29	0.4	89.51	74.53	102.03	98.44	1.0	2.32	95.87	88.51	73.66	101.12	98.46	108.93	77.40	–
Europe Ex. UK Ex. Eurobloc (180)	95.97	0.1	88.30	73.52	100.64	95.86	0.4	1.44	95.85	87.58	72.90	100.05	95.46	109.21	75.18	–
Pacific Ex. Japan (276)	178.16	0.3	164.84	137.25	187.89	182.31	0.5	3.59	178.60	163.19	135.84	186.43	181.44	216.04	128.26	202.43
World Ex. Eurobloc (1921)	106.54	0.0	98.03	81.62	111.73	106.20	0.2	1.52	106.51	97.32	81.01	111.16	105.94	108.05	83.09	–
World Ex. US (1650)	205.67	0.4	190.15	158.33	216.73	181.78	1.0	1.92	205.80	188.04	155.53	214.82	180.04	221.91	165.95	201.37
World Ex. UK (2062)	301.81	0.1	277.69	231.21	316.50	273.80	0.3	1.42	301.42	275.41	229.26	314.63	272.71	311.48	238.11	284.52
World Ex. Japan (1818)	414.56	0.2	381.43	317.59	434.74	408.72	0.4	1.62	413.75	378.06	314.71	433.90	408.13	427.99	320.58	358.47
The World Index (2263)	308.92	0.2	284.24	236.66	323.96	280.96	0.4	1.58	308.38	281.77	234.58	321.90	279.77	318.51	242.38	273.00

Emerging markets: IFC investable indices

Dollar terms

Feb 23 Market		Day's chg %	% Chg since 31/12/98
Latin America			
Argentina	744.10	-1.6	-6.7
Brazil	208.93	-4.5	-24.0
Chile	489.80	-1.4	+4.1
Colombia	379.02	-0.3	-13.7
Mexico	316.73	-0.3	+7.3
Peru	138.36	-0.2	+1.5
Venezuela	356.71	-0.4	-21.3
East Asia			
China	21.94	+0.5	-16.2
India	69.13	-0.8	+7.7
Indonesia	22.16		-8.5
Korea	46.20	-0.3	-12.8
Malaysia	88.75	-0.3	-2.0
Pakistan	87.57	+1.7	-7.3
Philippines	117.56	+1.5	-4.5
Sri Lanka	71.08	-1.1	-13.7
Taiwan, China	112.74	-1.8	-2.7
Thailand	58.82	-0.1	-10.4
Europe			
Czech Rep	39.76	-4.0	-21.6
Greece	657.32	-8.8	+6.1
Hungary	238.82	-3.5	-14.9
Poland	505.78	-0.3	-3.4
Portugal	279.23	-0.2	-4.4
Russia	32.82	-2.3	+40.0
Slovakia	39.24	-0.5	-10.0
Turkey	183.37	-2.6	+25.3
Mideast/Africa			
Egypt	75.88	-0.5	+17.7
Israel	108.16	+1.2	+5.8
Jordan	235.80	+0.1	+8.8
Morocco	168.38	-0.5	+0.5
S Africa	131.97	+0.7	+6.4
Zimbabwe	110.70	-0.3	+5.1
Regional			
Composite	182.16	-1.4	-2.5
Latin America	393.29	-1.8	-6.3
Asia	86.03	-0.6	-7.5
EMEA	119.84	-1.6	+4.9
Europe	155.97	-3.5	+4.1
Eastn Europe	56.96	-2.3	-2.0
ME & Africa	58.69	+0.6	+5.7
Comp + Malay	184.92	-1.3	-2.4
Asia + Malay	101.14	-0.6	-6.4

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1993; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Apr 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.
Latest indices were unavailable for this edition.

4 pm close February 24

NEW YORK STOCK EXCHANGE PRICES

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

[illegible]	8⅝ Zweig Tot x	0.84	10.1		1212	[illegible]	[illegible]	[illegible]	[illegible]

Price data supplied by Financial Times Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

$-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
‡ Dealings suspended.

♣ FT Free Annual Reports Club
You can obtain the current annual reports and, if available quarterly reports of any companies on the US exchanges with a ♣ symbol. To order reports ring (International Access) 1-804-32 0-8097 or give the names of the companies whose reports you want and fax your request to (International Access) 1-804-320-8135. Reports will be sent the next working day, subject to availability. You can also order online at http:// www.icbinc.com/cgi-bin/ft.

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Feb 23	Feb 22	Feb 19	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Industrials	9544.42	9552.68	9339.95	9643.32 (8/1/99)	7539.07 (31/8/98)	9643.32 (8/1/99)	41.22 (8/7/32)
Home Bonds	105.09	105.20	105.31	107.17 (9/12/98)	104.42 (11/5/98)	107.17 (9/12/98)	54.99 (1/10/81)
Transport	3221.71	3231.57	3134.51	3686.02 (16/4/98)	2345.00 (8/10/98)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	296.27	298.75	295.58	328.51 (8/10/98)	252.66 (9/1/98)	328.51 (8/10/98)	16.53 (8/7/32)

DJ Ind. Day's High 9659.58(9586.13) Low 9425.26 (9288.04) (Theoretical¶)
Day's high 9611.33(9556.28) Low 9473.34 (9331.15) (Actual¶)

Standard and Poors	Feb 23	Feb 22	Feb 19	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Composite‡	1271.18	1272.14†	1239.13	1279.64 (29/1/99)	927.69 (9/1/98)	1279.64 (29/1/99)	4.40 (1/6/32)
Industrials¶	1530.11	1531.95	1492.61	1551.65 (29/1/99)	1077.40 (9/1/98)	1551.65 (29/1/99)	3.52 (30/6/32)
Financial¶	137.25	136.77	132.71	147.69 (14/7/98)	95.80 (8/10/98)	147.69 (14/7/98)	7.13 (4/9/74)
Others							
NYSE Comp.	598.02	600.29	588.56	611.06 (8/1/99)	477.20 (8/10/98)	611.06 (8/1/99)	4.64 (25/4/42)
Amex Comp	700.92	700.03	692.57	763.67 (22/4/98)	563.75 (8/10/98)	763.67 (22/4/98)	524.20 (18/7/95)
NASDAQ Cmp	2376.35	2342.01†	2283.60	2510.09 (1/2/99)	1419.12 (8/10/98)	2510.09 (1/2/99)	54.87 (3/10/74)
Russell 2000	399.01	397.82	392.30	491.41 (21/4/98)	310.28 (8/10/98)	491.41 (21/4/98)	123.36 (7/12/93)

RATIOS

	Feb 19	Feb 12	Feb 5	Year ago
Dow Jones Ind. Div. Yield	1.66	1.66	1.65	1.66
	Feb 17	Feb 10	Feb 3	Year ago
S & P Ind. Div. yield	1.19	1.15	1.10	1.40
S & P Ind. P/E ratio	37.72	38.00	39.55	27.24

US DATA

MARKET ACTIVITY

Volume (million)	Feb 23	Feb 22	Feb 19
NYSE	781.159	718.530	709.083
Amex	25.237	26.971	20.476
NASDAQ	917.080	849.290	816.951

NYSE	Feb 23	Feb 22	Feb 19
Issues Traded	3,584	3,553	3,523
Rises	1,285	1,872	1,380
Falls	1,714	1,035	1,525
Unchanged	585	646	618
New Highs	52	51	28
New Lows	92	68	87

NYSE TRADING ACTIVITY

Volume : 781,150,000

ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
AmOnLine	30,169,200	88¾	+1⅞
Cmpq	19,089,100	58⅝	+2⅞
Compaq	13,275,600	44	+1⅝
BellSth	7,817,100	46⅞	−1⅞
AT&T	7,336,100	85⅝	−⅞
LucentTch	6,784,500	107⅞	+1⅛
Mirage Res	6,030,800	18⅝	−1⅛
PhMorr	5,845,000	40⅞	−⅝
ChaseM	5,732,200	81⅝	+⅝
MicrnTech	5,137,400	70⅞	+2⅞

BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
PezEgy	12⅞	+3	+30.6
Whitaker	20⅞	+2⅞	+13.8
Mattpar	24⅞	+2⅞	+11.5
Adell	14⅞	+1⅞	+11.3
Downs			
Unit Inc	11½	−1⅞	−12.0
Anker	11½	−1⅞	−10.2
USWest	57¾	−4⅞	−7.3
Healtsth	12	−⅞	−7.2

NASDAQ TRADING ACTIVITY

Volume :917,080,000

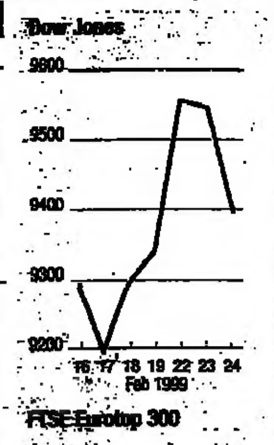
ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
DellCmp	28,448,800	87⅞	+2⅞
Micsft	23,431,500	155⅞	+6⅝
Intel	18,407,700	134¾	+1⅞
CiscoSys	16,525,500	102⅞	−⅝
E trade	11,991,500	46⅝	−1⅞
Clars Cp	11,648,900	24⅝	+2⅞
Yahoo	11,354,400	152⅝	+7⅝
MCIWcm	11,090,400	88⅞	−1⅞
Amz.com	10,557,900	115⅞	+8⅞
Oracle	10,124,700	58⅝	+3⅞

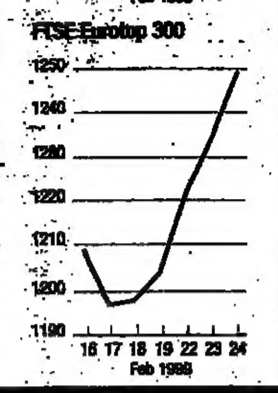
BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Trioyle	27¾	+4¾	+18.7
CoinDev	15⅞	+2⅞	+17.4
Allnws	27⅞	+3⅞	+15.6
Vanline	12¾	+1⅞	+15.5
Downs			
Tel-Sav	10¾	−1¾	−14.6
TetraTech	21	−3	−12.5
Career	13¾	−1¾	−9.0
AmerTrade	47¾	−4¼	−8.2

Dow Jones



FTSE Eurotop 300



JAPAN

	Feb 24	Feb 23	Feb 22	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Nikkei 225	14355.45	14508.65	14256.67	17264.3	12880	38915.9	85.25

Day's high: 14504.82. Day's low: 14326.15.

TOKYO TRADING ACTIVITY

Volume : 487,170,000

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
DaiwaSc	11,851,000	510	+35
Sakura	11,508,000	250	−4
BTokM	10,731,000	1424	+22
IndBk	9,878,000	595	+37
NpStl	8,957,000	202	−3
SumiBk	8,644,000	398	+18
SanwaBk	7,024,000	1239	+22
NikEst	6,458,000	1200	+40
SmiStl	6,132,000	171	+2
Nomura	5,836,000	937	+26

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Zexel	276	+59	+27.2
SonyME	5490	+540	+10.9
DaiwaSc	510	+35	+7.4
JVC	777	+52	+7.2
Downs			
AndoCo	183	−20	−9.9
FujiSp	123	−11	−8.2
NpLtMt	113	−10	−8.1
FodoCo	179	−15	−7.7

FRANCE

	Feb 24	Feb 23	Feb 22	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
CAC 40	4213.70	4207.95	4186.86	4388.48	2862.54	4388.48	984.61

Day's high: 4264.49. Day's low: 4191.81

PARIS TRADING ACTIVITY

Volume : 596,014,040

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
FrTele	2,107,846	83.5	−0.1
ElfAqu	1,364,858	94.05	−0.15
Usinor	1,302,312	11.87	−0.38
Alcatel	1,177,088	104.5	+3.4
RhonPA	1,152,315	44.1	+1.1
MichlnB	985,301	41	
Casino	803,736	83	−3.5
Alstom	789,848	24.8	+1.1
TotalB	731,487	93.9	−3.1
Axa	707,239	123.8	−0.9

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Sids R	12.78	+1	+8.5
Rexel	75.05	+3.75	+5.3
GrpGTM	85.9	+3.8	+4.7
Alstom	24.8	+1.1	+4.6
Downs			
Casino PI	53.3	−2.7	−4.8
DassSy	36.3	−1.7	−4.5
Casino	83	−3.5	−4.0
ThmCSF	29.77	−1.24	−4.0

GERMANY

	Feb 24	Feb 23	Feb 22	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
DAX	5062.31	4967.56	4845.18	6171.43	3896.08	6171.43	931.18

Day's high: 5074.40. Day's low: 4945.43.

FRANKFURT TRADING ACTIVITY

Volume : (a)

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
VW	833,724	63.3	−2.75
DmlrCh	533,688	91.4	+2.4
Dt Tel	487,587	40.7	−0.65
Bayer	483,644	32.75	+0.65
Cmmzbk	378,723	25.8	+0.4
H'chst	346,553	43.6	+2.2
BayHyV	325,021	52.3	+3
BASF	311,910	31.8	−0.05
Dt Bk	287,684	49.2	+2.05
DresdBk	280,767	34.15	+1.05

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Linde	509	+32	+6.7
ColPrf	64	+4	+6.7
BayHyV	52.3	+3	+6.1
Rutgs	157.5	+8	+5.4
Downs			
BMWPf	375	−25	−6.2
NeuRgA	800	−40	−4.8
VW	63.3	−2.75	−4.2
BMW	667	−28	−4.0

UK

	Feb 24	Feb 23	Feb 22	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
FTSE 100	6307.6	6155.2	6069.9	6307.6	4648.7	6307.6	986.9

Day's high: 6318.8. Day's low: 6149.8

LONDON TRADING ACTIVITY

Volume : 1,088,280,000

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Shell	22,533,590	342½	+7½
Tesco	26,764,550	172¾	+½
Cellnet	25,938,580	16	−7
BTR Siebe	19,254,240	255¼	+13
Br Telecom	18,249,490	1118½	+43
Rolls-Royce	17,823,400	289	+9½
BG	16,270,660	388¼	−4½
Centrica	15,930,720	122	
Br Aerospace	15,629,250	441	+13½
BP Amoco	15,254,050	892	+25½

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Greenwn Hse	30½	+9	+41.9
Pembertons	60	+14½	+31.9
Game	130½	+28	+27.3
Geo Int Media	60	+12	+25.0
Downs			
Cellnet	16	−7	−30.4
Versailles	1	−¼	−20.0
John Lusty	5	−1¼	−20.0
Monsas	83½	−15	−15.2

INDEX FUTURES

S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	1275.50	1281.80	+6.30	1283.40	1273.00	109,418	368,413
Jun	1287.50	1294.00	+7.80	1295.50	1287.50	10,340	32,446
Nikkei 225	**Open**	**Sett price**	**Change**	**High**	**Low**	**Est. vol.**	**Open int.**
Mar	14490.0	14330.0	−100.0	14530.0	14300.0	24,017	182,414
Jun	14420.0	14230.0	−130.0	14450.0	14220.0	2,930	41,548

Open interest figures for previous day.

CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Feb	4200.0	4212.0	−3.0	4267.0	4191.5	133,097	83,272
Mar	4208.0	4220.0	−3.0	4270.0	4200.0	80,097	95,812
DAX							
Mar	4997.0	5072.0	+50.0	5094.0	4983.0	44,765	229,340
Jun	5023.0	5098.5	+53.8	5119.0	5019.5	2,111	86,157

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Feb	735.00	746.00	+8.50	747.00	734.25	42,695	66,471
Mar	733.00	744.00	+8.75	745.25	732.75	37,155	76,408
EUREX							
Mar	7157.0	7227.0	+60.0	7245.0	7135.0	18,501	140,115
Jun	7103.0	7165.0	+45.0	7160.0	7091.0	741	4,311

WORLD MARKETS AT A GLANCE

Country	Index	Feb 24	Feb 23	Feb 22	1998/99 High	1998/99 Low	Yield	P/E
Argentina	General	16449.95	16478.76	16894.07	[illegible] 23/3/98	[illegible] 10/9/98	4.16	13.9
Australia	All Ordinaries	2934.5	2924.0	2916.3	2940.50 4/2/99	2458.20 1/9/98	2.9	23.4
	All Mining	578.2	584.1	579.4	713.10 22/4/98	468.80 31/8/98		
Banks, Telstra and BHP moved higher while AMP slipped despite posting annual profits near the top of expectations.								
Austria	ATX Index	1179.64	1165.09	1158.42	1628.58 26/5/98	992.06 1/10/98	1.97	12.4
Moved lower in spite of another strong session for steel shares.								
Belgium	BEL20	3405.25	3444.30	3444.94	3861.92 6/1/99	2257.28 10/1/98	1.5	25.3
India	BSE Sens.	3287.53	3283.97	3303.89	4280.96 21/4/98	2764.16 20/10/98	na	na
	S & P CNX 500	869.70	860.79	865.80	815.82 21/4/98	557.68 29/10/98		
Indonesia	Jakarta Comp.	401.98	387.93	398.67	554.10 2/2/98	256.83 21/9/98	2.48	20.2
Tin giant Timah rose 4 per cent after news government was set to reduce its 65 per cent shareholding.								
Ireland	ISEQ Overall	5315.25	5269.61	5219.18	5471.61 21/4/98	3745.11 8/10/98	1.8	19.2
Israel	Tel Aviv 100	310.62	308.17	308.03	337.45 8/6/98	249.19 8/10/98	na	na
Portugal	BVL 30	4930.77	4908.95	4908.17	6178.89 22/4/98	3899.86 2/10/98	2.07	27.2
	PSI 20	11259.08	11324.33	11322.86	14289.00 22/4/98	8114.81 2/10/98		
Russia	RTS	75.50	73.52	75.40	411.81 5/1/98	38.83 5/10/98	na	na
Reversed early losses to close modestly ahead.								
Singapore	SES All-S'pore	392.44	379.34	379.15	487.38 19/3/98	253.29 4/9/98	2.26	20.8
	Straits Times	1410.96	1400.43	1400.19	1909.75 19/3/98	805.04 4/9/98		
Properties jumped 2 per cent amid hopes new legislation will be introduced to allow the formation of REITs.								

[illegible]

THE NASDAQ-AMEX MARKET GROUP

4 pm close February 24

[illegible]

AMEX

4 pm close February 24

[illegible]

EASDAQ

[illegible]

STOCK MARKETS

Greenspan evokes unspectacular response

WORLD OVERVIEW

Confirmation that Fed chairman Alan Greenspan was sticking to the same script for yesterday's testimony to the House banking committee as the one used for Tuesday's address to the Senate left continental European bourses sitting on solid enough performances, *writes Michael Morgan*.

Wall Street rallied in its first few minutes of trade on the back of a strong technology sector, but by the close of the European trading day, the Dow's performance was looking less polished.

Not that this made much difference to Europe's star performer. London climbed a solid 2.5 per cent, taking the FTSE 100 index well into record territory.

Continental Europe was less confident with the day's advances in most of the leading bourses restricted to 1 per cent or less.

Activity was to be found, however, in a full diary of corporate results and a good smattering of bid and deals, both real and imagined.

In Paris, for example, the airwaves were alive with news that the pay television group Canal Plus had told the European Commission *anti-trust authorities that it* was talking to Rupert Murdoch's BSkyB.

Hoechst shot higher in Frankfurt on renewed speculation that it would fall prey to a hostile takeover, perhaps by Switzerland's Novartis, before it could seal its planned marriage to France's Rhône-Poulenc.

In Zurich, Swiss Life refused to retreat from the spotlight as it confirmed a second takeover in just three days. And in Milan, claim and counter-claim vied with rumour and speculation to spice up Olivetti's campaign to win Telecom Italia.

Earlier, much of Asia had been in the mood for consolidation. Tokyo turned back after two good sessions as a steady stream of investors unwound cross-shareholdings ahead of the end of the fiscal year on March 31.

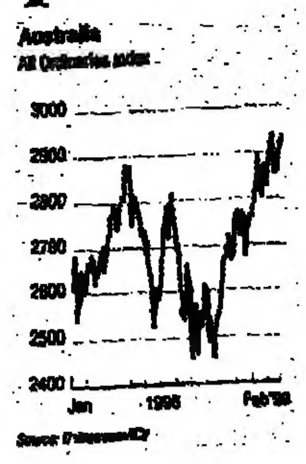
Hong Kong, however, proved an exception to the rule as a second good session for HSBC helped the market record a two-day bounce of almost 5 per cent.

But BT Alex Brown continues to take a pessimistic view of both markets. "Japan remains on the rocks," says Edmond Warner, global strategist. He reckons the latest policy moves in Tokyo look more like appeasement to avoid US criticism at the G7 meeting than a reflection of a fundamental desire to change.

Hong Kong's woes, meanwhile, continue to intensify, he says, with the latest batch of data displaying some alarming trends bearing testimony to the depth and longevity of the current downswing.

MARKET FOCUS

Sydney soars on surge in profits



A surprise surge in Australian corporate profits has buoyed the Sydney stock market in recent days, driving the benchmark All Ordinaries index to a record high of 2,940 – a gain of nearly 25 per cent from last year's lows, and up 4 per cent from the start of the year.

Fuelling investor optimism has been a stream of upbeat economic data – in stark *contrast* to the slowdown gripping most of Asia – and indications that corporate earnings, at least for the first six months, can continue to outpace last year's growth rates.

Figures published this week by the Australian Bureau of Statistics showed an increase of 17.3 per cent in corporate profits for 1998, exceeding all predictions after a lacklustre September quarter.

Gross company profits rose nearly 4 per cent in the final three months of 1998 to reverse the previous quarter's decline and push the year's growth rate up to its best levels for four years.

The financial services, retail and transport sectors were among the strongest performers. And many analysts have upgraded expectations of 1999 earnings growth to a range of 7 to 15 per cent.

However, some analysts noted that last year's growth owed much to a handful of stellar performers, among them News Corp and Qantas.

Other high points in the wave of interim results in February focused on consumer cyclicals such as Fairfax, the media group, Pacific Dunlop, property and business services, transport, storage and retailing.

But Hugh Dougherty, strategist at Merrill Lynch Australia, said that the bullish sentiment sweeping the Australian stock market was not entirely due to surging corporate profits, although they had played a large part in the market's recent climb.

Mr Dougherty said an interim report published on Monday by the government's advisory panel on business tax reform had laid to rest some concerns about issues such as the corporate tax rate and the lowering of capital gains tax.

The panel's interim report merely laid out options on the more contentious aspects of business tax. But early indications from officials had pushed the market's fears of negative developments "right back", said Mr Dougherty.

Another factor was the Bank of Japan's recent move to halt soaring bond yields, which had an immediate effect on investor perceptions of Australian bonds.

"This had a very significant impact on perceptions of Australian stocks sensitive to long-term interest rates, such as Telstra or Lend Lease – those with high price-earnings ratios," Mr Dougherty said.

But within Australia there remained concern about the recent increase in Australian stock prices. "The Australian market is trading at a significant premium to valuations – it could go on like this for 12 months, and that's why we have to focus on the good news flow," Mr Dougherty said.

Gwen Robinson

US shares advance on broad front

AMERICAS

Wall Street shrugged off Tuesday's nervous session as investors sent many stock sectors higher by midday on the second day of testimony by Federal Reserve chairman Alan Greenspan, *writes John Labate in New York.*

The Dow Jones Industrial Average was 31.98 higher in early afternoon trading at 9,576.40, while the broader Standard & Poor's 500 had gained 8.88 to 1,280.08.

Technology shares were among the strongest performers, sending the Nasdaq composite index 21.07 higher, a gain of 0.9 per cent, to 2,397.42. Advancing shares were ahead of declining ones on the New York Stock Exchange by a margin of 5 to 4.

Among actively traded Dow shares, Citigroup climbed $1⅞ to $59⅝ and Wal-Mart gained 2\frac{1}{16}$ to 89\frac{1}{16}$. Allied Signal was 1\frac{1}{16}$ higher at $43¾.

Retailing stocks were active as more companies released earnings results. Nine West climbed 10 per cent or 1\frac{15}{16}$ to $21¼ after Nationsbanc Montgomery Securities upgraded the company to a buy rating.

Wendys International was also a strong performer, up 1\frac{1}{16}$ or more than 6 per cent to 24\frac{1}{16}$. Barnesandnoble, the book retailer that issued a profits warning, sank another $1¼ to $29⅝.

In the transport sector Delta Air Lines gained 3\frac{1}{16}$ to $61⅞ after the stock was upgraded. Other sharp risers included FDX, up 6\frac{1}{16}$ to $96⅝, and Northwest Airlines, up $2¾ to 28\frac{1}{16}$.

Online trading shares were mixed as Charles Schwab, the industry leader, reported a so-called service "outage" for 90 minutes during the morning.

Shares of Schwab were higher in spite of the news, gaining 1\frac{1}{16}$ to $74⅝. But JB Oxford Holdings fell $$\frac{11}{16}$ per cent to 9\frac{5}{16}$ while National Discount Broker fell $1¼ to $25¼.

US Treasuries were mixed as Mr Greenspan spoke. The long bond was unchanged in price at 97$\frac{9}{32}$, yielding 5.426 per cent.

TORONTO reversed initial gains and by the noon count the 300 composite index was modestly lower, off 5.24 at 6,449.50.

Banks took most of the blame, losing ground steadily after sector leader Royal Bank of Canada had unveiled heavy loan loss provisions and a big restructuring charge.

Royal Bank shed 45 cents to C$77.75 and Toronto-Dominion Bank came off 25 cents at C$65.05. Bank of Montreal retreated 55 cents to C$63.45.

Elsewhere the mood was steadier with sentiment gaining support from day two of neutral statements from Mr Greenspan.

Golds edged higher with Barrick up 10 cents at C$26.90 while nickel miner Inco jumped C$1.30 to C$18.10 *following an upgrade* from Goldman Sachs.

Among industrials, Alcan Aluminium improved 65 cents to C$36.45 and Northern Telecom gained 60 cents to C$92.80.

Cambridge Shopping Centres tumbled C$1.80 to C$9.35 as the real estate arm of Quebec's Caisse de depot et placement said that its C$331m bid for control of the large mall company had succeeded.

Dax shrugs off earnings fears

EUROPE

Shares in FRANKFURT gained ground for the third day *running despite* mixed signals on the outlook for earnings from a range of top companies. The Xetra Dax index ended 45.69 higher at 5,053.29.

Allianz gained €1 to €288 *after it announced it was* looking to add 10 per cent earnings growth this year to the 30 per cent achieved for 1998. Munich Re added €5.35 to €190.95 in sympathy.

Strong earnings lifted engineer Linde €33.50 to €513.50. But a warning about trading this year from Volkswagen sent a shiver through the European motor sector.

VW fell to €58.50 before closing off €4.20 at €62.85 as HypoVereinsbank downgraded the shares.

BMW, fighting to stem losses at its Rover car arm, shed €24 at €670 after a downgrade to "sell" at Bankhaus Metzler. DaimlerChrysler *avoided the downturn*

The FTSE Eurotop 300 index rose 14.53 or 1.18 per cent to 1,246.92. See Euro Prices page.

adding €2.10 to €91.60 on the back of an upgrade to "accumulate" at Merrill Lynch.

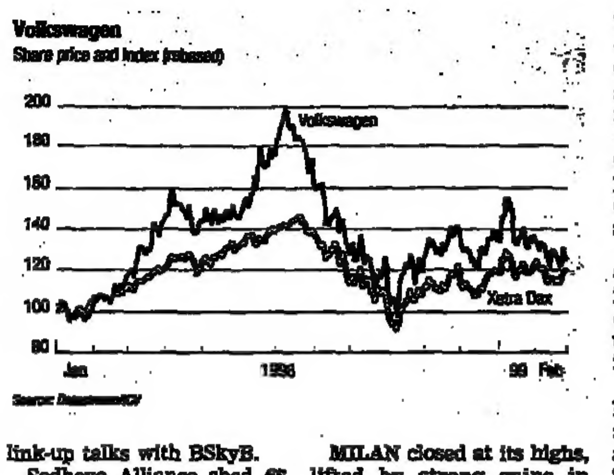
Hoechst *surged on* speculation, driven by talk that a big Hoechst shareholder was unhappy with the Rhône-Poulenc merger plan, that Swiss drugs giant Novartis planned to launch a counter-bid for the group. Hoechst gained €2.30 to €43.90.

PARIS *retreated from* intra-day highs but ended in the black, with the CAC-40 up 5.75 to 4,213.70.

Sanofi gained €5.10 to €187.20 on 1998 profits in line with expectations. Synthelabo, a *L'Oréal* subsidiary planning to merge with Sanofi, rose €4.40 to €212.40 also on healthy profits.

Carrefour stood its ground, gaining €23 to €650, following reports, later denied, that Germany's Metro would launch a bid for the French hypermarket chain.

Canal Plus advanced €10.30 to €304.10 after announcing it had told the European Commission, the EU executive and competition's watchdog, about its



link-up talks with BSkyB.

Sodhexo Alliance shed €6 to €157 after the chairman sounded a cautious note about long-term earnings per share at a meeting with shareholders.

Investors remained unimpressed by Thomson CSF's announcement of a pending buyback programme. The share slid a further 4 per cent, off €1.24 to €29.77.

ZURICH was lifted by gains in the heavyweight pharmaceuticals and the SMI index closed 88.0 or 1.2 per cent higher at 7,233.7.

Novartis continued to rebound, adding SFr39 to SFr2,608, while Roche certificates posted a modest SFr90 rise to SFr18,430.

Among the specialty chemicals groups, Ciba, which published lower-than-expected figures for 1998 on Tuesday, shed SFr3 to SFr107. J.P. Morgan, which cut its 1999 and 2000 earnings estimates for the group, repeated a "market underperformer" rating on the stock.

Food and beverages giant Nestlé shot up SFr71 to SFr2,799.

Telecommunications company Swisscom, under recent pressure from profit-taking, recovered more than 5.8 per cent or SFr31 to SFr570.

Financials were mixed. Swiss Life remained in the spotlight, announcing the second takeover in three days. After unveiling the takeover of Gotthard Bank on Monday, the bank said it intended to buy the French company Lloyd Continental for SFr800m. The stock declined SFr21 to SFr945.

MILAN closed at its highs, lifted by strong gains in Telecom Italia and its subsidiary Tim, amid reports that the two could merge to foil Olivetti's $58bn bid for *Telecom.*

Telecom Italia, up 50 cents at €10.06, closed above Olivetti's planned offer of €10 a share for the group. Tim closed 41 cents higher at €6.57.

Olivetti edged 1 cent ahead to €2.92 as the market awaited the outcome of meetings of the boards of Olivetti and Tecnost, which is being used as the vehicle for the takeover.

The real-time Mibtel index closed 398 or 1.7 per cent *higher at 24,520.*

AMSTERDAM pushed higher with derivatives-driven trading among the heavyweight financials providing most of the momentum. Aegon rose €2.85 to €95.75 and ABN Amro 40 cents to €18.95 in 13.5m shares traded. The AEX *index ended up 2.15 at 538.84.*

Unilever, up steeply in two days as a result of its planned $5bn special dividend, ran into profit-taking, slipping €1.20 to €68.30.

HELSINKI forged 1.4 per cent ahead with Nokia leading the pack amid renewed enthusiasm for European telecom stocks. The Hex index rose 83.73 to 6,141.27.

Nokia rose to a four-week high before easing in late *trading to close 60 cents up* at €126.10, on the back of Tuesday's internet phone launch.

MADRID tracked the rising European markets, with the general index adding 6.65 *to 906.14.*

Among the day's most traded stocks was electricity *firm Endesa*, which reports 1998 results today.

Endesa gained 10 cents to €24.92 ahead of a meeting of *shareholders in Chile's Enersis* on whether to raise the maximum holding in Enersis. This could allow Endesa to build an absolute majority.

Funespa gained 58 cents to €15.10 after announcing a deal with insurer Agrupacio Mutua to develop an operation in Hungary.

Written and edited by Jeffrey Brown, Bertrand Benoît, Peter Hall and Nicola Wilson

São Paulo rides out privatisation worries

SAO PAULO was flat at midsession despite mounting worries about the level of the Real and signs that the *government could* miss its privatisation target. The Bovespa index was 2 higher at 8,945. *Jose Pio Borges,* president of the National *Development Bank, said he* remained optimistic about the R$20bn target.

MEXICO CITY was trading 1 per cent higher, powered by a rise on Wall Street, positive expectations about inflation, and a firmer peso.

The IPC index was 43.32 ahead to 4,274.99, with heavyweight Telmex adding 0.25 pesos to 29.15 pesos.

CARACAS was 1.7 per cent lower at midsession, dragged *down by increasing* uncertainty over the outcome of an Opec meeting on March 23. The IBC index was down 64.01 to 3,825.97.

Bonds and rand lift Jo'burg

SOUTH AFRICA

Shares in Johannesburg staged a late rally, climbing back *into positive territory* to close with the overall index up 3.8 at 5,941.8.

Sentiment was underpinned by gains for the rand and the bond market. *Further* strong demand for platinum shares provided additional support. Amplats rose *170 cents to R98.50 for a* two-day gain of almost 4 per cent. Industrials dipped 0.8 to 6,784.4 and golds lost a further 2.4 at 857.9.

HSBC gains fuel Hong Kong

ASIA PACIFIC

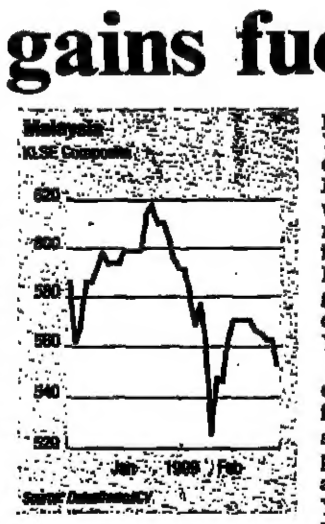
Shares in HONG KONG closed sharply higher for a second straight session, pushed by continued institutional buying in HSBC Holdings and short-covering ahead of today's expiry of February Hang Seng index futures, brokers said.

The Hang Seng index put on 243.58 at 9,677.57, taking its two-day rise to 4.9 per cent in turnover that picked up to HK$5.3bn.

HSBC, which accounted *for HK$1.7bn of the trade,* rose HK$5 to HK$211 after rising HK$10 on Tuesday. Strength in HSBC stock follows the bank's report on Monday of a 21 per cent drop in 1998 net profit due to sharply higher bad debt provisions. But analysts said long-term institutional investors were encouraged by *HSBC's plan to split its* shares and list on the New York stock exchange.

TOKYO was mixed with the Nikkei 225 falling, but broader indices and Osaka gaining ground, *writes Paul Abrahams.*

The unweighted Nikkei 225 average fell 145.20 to 14,355.45 as investors took



the opportunity of two days of gains to sell cross-shareholdings before the end of the financial year on March 31. The average had traded as high as 14,534 and as low as 14,326.

The more representative weighted Nikkei 300 gained *0.37 or 0.17 per cent to 224.08.* The Topix index of all first section shares gained 2.52 or 0.2 per cent to 1,120.29. Volume was 487m shares, with 604 stocks falling, 578 up and 122 unchanged.

In Osaka, the OSE index closed up 38 at 15,278.

Zexel, the struggling automotive components company, jumped 27 per cent or *Y59 to Y276 following* Tuesday's announcement that Robert Bosch of Germany was increasing its stake to more than 50 per cent. Bosch is paying Y224 for its shares. Nissan, the automotive *group which owns an 11* per cent stake in Zexel, gained Y3 to Y437.

Matsushita Electric, the consumer electronics giant, fell Y25 after it announced sharply lower third-quarter profits on Tuesday. Sony also dropped, down Y80 at *Y9,060. But Sony Music* jumped 11 per cent to Y6,490 – its highest level since June 1994 – after announcing it would hold an investors' meeting on March 3. The group is expected to announce details of the successor to its successful Playstation games console.

The real estate sector con*tinued its recovery, climbing* 2.2 per cent. Sumitomo Real Estate jumped 4.7 per cent or Y18 to Y398 in heavy trading, while Mitsui Fudosan rose Y13 to Y970 and Mitsubishi Estate climbed Y40 to Y1,200. The ruling Liberal Democratic party this week hinted it might use public money to buy land.

KUALA LUMPUR hit a three-week low, dragged down 1.7 per cent by construction company United Engineers and gaming stocks. The composite index finished 9.66 off at 553.13.

United Engineers dropped *16 cents to M$2.43* after it emerged the government had introduced a clause in a proposed concession extension for UEM's toll-road operating unit. Under the regime, toll increases for the North-South Expressway will take place every five *years rather than annually.*

Gaming company Magnum shed 7 cents to M$1.95, while Resorts World dropped 20 cents to M$4.90 and Genting lost 30 cents to 8.95 as casinos suffered from the economic downturn.

WELLINGTON fell for the second *straight day, despite* market heavyweight NZ *Telecom ending the session* 1 cent better at NZ$9.55.

In light *turnover of* NZ$133m, there was steady selling of blue chips. Carter Harvey Holt closed 14 cents lower at NZ$1.77 and Lion Nathan lost 16 cents at NZ$4.74. The 40 capital index closed off *28.21* or *1.3* per cent at 2,206.22.